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NEWS SUMMARY

GENERAL

Somoza flees to Miami

General Anastasio Somoza, whose family had controlled Nicaragua since 1933, fled to Miami from the war-torn capital of Managua.

The Nicaraguan Congress elected Francisco Urcuyo, chairman of the lower house, in his place. President Urcuyo is expected to hand over authority almost immediately to the provisional government council backed by the Sandinista guerrillas.

The U.S. is expected to recognise the new government soon but is unlikely to agree to a request for General Somoza's extradition. Back Page

Euro-vote

Mme. Simone Veil, France's popular former Health Minister, obtained 183 of the 380 valid votes of Euro-MPs in the first round of the election for President of the European Parliament.

She was eight short of the absolute majority needed. The closest of her four rivals, Italian Socialist Mario Zagari, won 118 votes. Back Page

Carter backed

U.S. Congressional leaders assured President Carter that substantial parts of his new energy programme would be approved by the legislature before next month's recess. Back and Page 2

Israeli raid

Israeli navy vessels attacked an Arab guerrilla base on the Lebanese coast. The installations were said to have been used to mount sea-based terrorist action against Israel.

Iran bomb deaths

Eight people were killed and 14 injured in a bomb blast in Khuzestan, Iran, as people were gathering for a rally in support of Ayatollah Khomeini. Page 4

Ulster blast

A woman bystander was killed and three soldiers seriously injured when a remote-control bomb exploded beneath two Ulster Defence Regiment Land-rovers on patrol near Rosslea, Northern Ireland. Another woman civilian was badly hurt.

Windscale fire

Eight men were contaminated by radiation during last week's fire at Windscale in the plant reprocessing spent nuclear fuel, British Nuclear Fuels said. The employees were not seriously affected. Page 6

Riot death report

A police report into the death of New Zealand teacher Blair Peach has been submitted to the Director of Public Prosecutions, it was learned at the resumed inquest. Peach died from head injuries in the Southall riot in April.

Lule accusation

Former Ugandan President Yusufu Lule said in Nairobi that he was kept a virtual prisoner in Dar es Salaam by President Nyerere.

Briefly . . .

Fire which badly damaged part of Sheffield Cathedral was started deliberately, police said.

Royal dress designer Hardy Amies celebrated his 70th birthday by launching his 1980 look for men and women.

U.S. space scientists, in Australia to investigate Skylab's descent, said: "It's embarrassing whenever you throw trash on someone else's backyard."

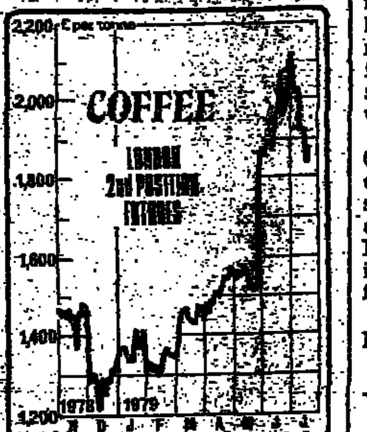
BUSINESS

Equities rise 7.3; Coffee up £42.5

● EQUITIES gained on the pound's strength and renewed weakness in the dollar, the FT 30-share index closing 7.3 up at 476.0 (470.7).

● GILTS followed equities with rises of a point and more in longs and up to ¾ in shorts. The Government Securities index closed 0.59 up at 73.02.

● COFFEE PRICES rose in London on news of more frost in Brazil, the September position closing £42.5 up at £1,882 a ton. Page 39



● STERLING rose to $2.2710 ($2.2420), its trade-weighted index rising to 72.1 (71.3). DOLLAR'S index fell to 83.9 (84.3).

● GOLD rose $5 in London to close at a record $297¼.

● WALL STREET was down 4.37 at 828.07 before the close.

● BRITISH independent oil companies are expecting to play a much bigger role in offshore exploration of the UK continental shelf. Page 8

● THREE OIL companies made new payments to their workers four months before their annual settlement dates. Back Page; BP deal Page 9

● GOVERNMENT repeated that it wants social security officials to make wider use of their powers against abuse of the system. Back Page

● CARPETS industry is expecting imports this year to take a record 16 per cent of the domestic market. Page 6

● P & O sold one of its older gas ships for about £6.7m but is holding back on its policy of further disengagement from the gas carrier business. Page 6

LABOUR

● TASS warned that it and other members of the Confederation of Shipbuilding and Engineering Unions would not stand by and watch non-confederation unions "invade" the aerospace industry. Page 9

● TIMES NEWSPAPERS edged closer towards agreement on a formula for early republication of its titles. Page 9

COMPANIES

● MAGNET AND SOUTHERNS reports pre-tax profits up 38 per cent from £14.25m to a record £19.66m in the year to March 31. Page 24 and Lex

● YULE CATTO and Co. increased taxable profits by 92 per cent to £1.31m for the six months to April 28. Page 25

● CITICORP, the second largest U.S. bank, reports a fall in second quarter net profit from $137.6m last year to $125.8m (£56.11m). Page 28

● HERON MOTOR GROUP lifted taxable profit 35 per cent to a record £8.53m on sales of £136.5m (£133.5m) for the year to March 31. Page 25

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Exchq. 3pc 1981	£90¼	+ 1¼
Treas. 13pc 1990	£103½	+ 1¼
Exchq. 12½pc 1999		
A (£40 pd.)	£43½	+ 1¼
Allied Colloids	104	+ 10
Assod. Dairies	270	+ 17
BAT Inds.	275	+ 7
Beecham	544	+ 11
Crouch (D.)	180	+ 10
Dorada	68	+ 8
Dowty	303	+ 8
ERF	107	+ 8
Electrocomponents	453	+ 13
Fairbairn Lawson	25	+ 3
Fitch Lovell	65	+ 6
Furness Withy	362	+ 7
GEC	390	+ 10
Gt. Portland Ests.	320	+ 10
GUS A	372	+ 12
Haslemere	320	+ 8
Land Secs.	302	+ 8
Magnet Southerns	188	+ 16
Phoenix Timber	132	+ 7
Sandeman	90	+ 8
Smith (W. H.) A	186	+ 7
Sound Diffsn. New	69pm	+ 7
Style Shoes New	42pm	+ 15
Tube Invs.	390	+ 8
Turner and Newall	132	+ 6
Wallis	88	+ 14
Wintrust	95	+ 10
Yule Catto	95	+ 8
Hampton Areas	203	+ 13
Lake View	80	+ 9½
Randfontein	£27½	+ 1½
Rustenburg Plat.	121	+ 6
Southvaal	597	+ 40
Union Corpn.	346	+ 18
Western Areas	143	+ 15

FALLS

Alexanders Dsent.	245	− 5
Brotherhood (P.)	85	− 4

Incentives to be concentrated on worst-hit areas

Joseph cuts aid to regions by £233m

BY JOHN ELLIOTT AND ANTHONY MORETON

SWEEPING CUTS in the financial inducements offered by the Government for regional industrial developments were announced yesterday by Sir Keith Joseph, Industry Secretary, to a chorus of disapproval from those affected.

The Government intends to cut its £609m a year regional support budget by £233m within three years, and concentrate incentives in the worse hit areas of the UK.

This is to be done progressively by downgrading or abolishing many assisted areas, reducing the grants payable in less needy areas, raising the minimum size of projects qualifying for help, and applying stricter criteria to major investment projects.

This is the first time that a Government has attempted to cut its industrial aid budget since the last Conservative Government introduced the 1972 Industry Act and there was an immediate outcry last night from both sides of industry.

The Labour Opposition also promised to fight the proposals when they are submitted for Parliamentary approval during the next ten days. Some Conservative MPs, while supporting the overall policy, were also nervous about its potential impact.

The announcements, made by Sir Keith in the Commons, are the first of a series on industrial policy that will emerge before Parliament rises for the summer recess. Restrictions on the powers of the National Enterprise Board—which will, however, continue to have a high technology role as well as being a guardian of "lame ducks"—will be finalised within 10 days, as will policies for shipbuilding and aerospace.

Together, these announcements put into practice the policies contained in the Conservative general election manifesto. They will be followed in the autumn by an Industry Bill dealing with the NEB and other matters.

The cuts in the £609m total aid (at 1979 survey prices) will build up gradually from £50m this year to £138m (just over 20 per cent) in 1980-81. They will total £184m in 1981-82, and £233m in 1982-83.

They thus start at about the level that had been widely expected but eventually finish considerably larger by taking away more than a third of the budget.

However, the figures were being treated last night with scepticism by some politicians and industrialists because they

Continued on Back Page

THE MAIN CHANGES

● THREE-TIER system of Special Development Areas, Development Areas and Intermediate Areas remains. Some SDAs and many DAs downgraded; many IAs to lose their status. A few areas to be upgraded immediately.

● FIRST AREAS downgraded from August 1, 1980. Transitional period to cover downgrading to cover three years. Areas losing all assistance to be subject of special review.

● GRANTS: Wider differentials proposed. SDA grants to remain 22 per cent; DA grants cut to 15 per cent; grants to IAs abolished.

● THRESHOLDS: £100 minimum on plant and machinery raised to £500; that on buildings raised from £1,000 to £5,000.

● SELECTIVE AID severely curtailed under section 7 of 1972 Industry Act; Section 8 aid to be more selectively assessed.

● INDUSTRIAL Development Certificates: None needed in IAs; threshold in the non-assisted areas raised to 50,000 sq ft. Changes come into effect August 6.

● N. IRELAND position unchanged.

Statement and Commons reaction, Page 10 ● Editorial comment, Page 22

Controls may be eased as pound soars

BY PETER RIDDELL AND NICHOLAS COLCHESTER

A FURTHER STEP in the Government's gradual dismantling of exchange controls is imminent, with an announcement possible today.

The changes, not expected to be sweeping, are likely to involve further lessening of constraints on portfolio investment abroad, notably in shares. This will be in addition to the major relaxation of controls announced in the Budget.

Further moves have been brought forward largely because of the strength since then of the pound—which rose sharply yesterday.

The trade-weighted index, measuring the value of sterling against a basket of other currencies, jumped by 0.8 points to 72.1, its highest closing level since February 1976.

The pound was in strong *demand, particularly from New* York, and trading was described as very heavy. The rate touched $2.2755 before closing 2.9 cents up at $2.2710, its highest close for more than four years.

The rise in the pound was much more than a response to the weakness of the dollar since there was a sharp appreciation against the main Continental currencies. The rate rose from DM 4.08¾ to DM 4.11¾ and from FFr 9.52¼ to FFr 9.59.

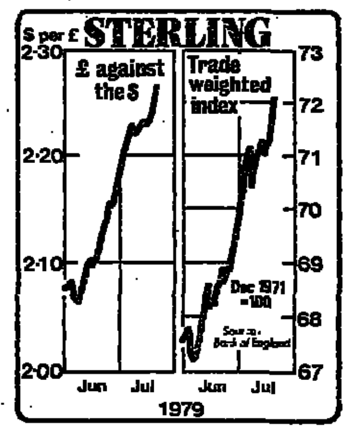
The Bank of England was reported to have remained largely on the sidelines. Other central banks, including the West German Bundesbank and the U.S. Federal Reserve, intervened to check the decline in the dollar.

Foreign exchange markets continued to react unfavourably to President Jimmy Carter's energy proposals. The dollar fell to DM 1.8125 from DM 1.82, while its trade-weighted index, as calculated by the Bank of England, dropped by 0.4 points to 83.9, for a decline of 3½ per cent in just over six weeks.

The weakness of the dollar was reflected in a further rise in the price of gold on the London bullion market—up $5 an ounce on the day to a record close of $297¼.

The strength of sterling on its own account in recent weeks has encouraged ministers not to delay any further relaxation of exchange controls.

The Government still favours a gradual dismantling rather than a wholesale removal of the structure of controls. This is partly because officials are reluctant to abandon altogether *weapons for controlling capital* flows if external attitudes change.



APPRECIATION OF STERLING (%)

Against	Since Dec. 31	Since June 1
Trade-weighted index	12.8	6.7
Dollar	11.3	9.6
Yen	33.1	7.2
D-mark	10.8	3.3
Franc	12.7	4.4

It is not expected that any further relaxation will significantly reduce the demand for sterling in the short-term.

Any further moves will be watched particularly closely in the investment currency market. The effective premium above the normal exchange rate which has to be paid for investment currency to buy shares abroad stood last night at 10¾ per cent after a day's high of 11¾ per cent.

The premium touched its post-Budget low of 5¾ per cent on July 5 when rumours of a rapid end to the premium system were rife. Its recent recovery has been supported by the inclination of fund managers to buy foreign shares through the reduced premium rather than engage in expensive foreign borrowing.

The strength of the pound yesterday boosted the gilt-edged market where prices of long-dated stock rose by up to 1¼. The Government Broker sold some stock to the market through the operation of an unofficial tap stock but this did not satisfy the demand.

Money markets, Page 31
Lex, Back Page

£ in New York

—	July 16	Previous
Spot	$2.2530-2540	$2.2280-2300
1 month	0.74-0.66 dis	0.65-0.60 dis
3 months	1.88-1.76 dis	1.90-1.85 dis
12 months	4.72-4.62 dis	4.97-4.87 dis

Lucas compromises over Ducellier bid

BY TERRY DODSWORTH AND DAVID WHITE IN PARIS

A 14-month-long Anglo-French battle for control of Ducellier, the French motor components group, ended in a compromise yesterday when Lucas of the UK accepted less than the outright majority stake it had demanded.

The effect of the agreement reached with Ferodo, the French competitor to Lucas, is ultimately to give the two companies equal shares in Ducellier.

Lucas's acceptance of a deal that gives Ferodo an initial 48 per cent stake, to be increased later to 50 per cent, marks a significant retreat from its earlier position.

The British group holds 49 per cent of Ducellier, which it will increase to 50 per cent through an indirect shareholding.

Its original bid for the rest of the capital, held by a subsidiary of the U.S. Bendix group, was blocked by the French Government. In September last year, Ferodo announced a back-door takeover agreement that gave it effective rights over the Bendix stake.

However, Lucas took its case to the French competitor to court, citing a previous agreement with the U.S. partner, and won its case to overrule Ferodo's manoeuvre last March.

It was clear then, that some form of compromise would be necessary in view of the importance attached by the French authorities to strengthening the country's components industry.

The sticking point was that Lucas insisted on restricting Ferodo to a minority participation.

It has conceded that point, although for at least two years Ferodo's stake will be maintained at 48 per cent, with the other 2 per cent held by banking interests.

Ferodo said yesterday that its agreement with Lucas gave both sides "equal positions" in decisions concerning Ducellier. The UK company would continue to inject its technology into Ducellier and that Ferodo would contribute its know-how "progressively."

The controlling 51 per cent shareholding previously held by Bendix through its French offshoot, DBA, is valued at £26m.

The dispute over Lucas's take-over plans arose because of *French concern that the British* group would dominate parts of the market to the detriment of Ferodo's vehicle electrics subsidiary.

Continued on Back Page

Talks on Meriden

BY JOHN ELLIOTT

THE FUTURE of the Meriden motorcycle co-operative will be discussed today between Lord Trenchard, Minister of State for Industry, and Mr. Geoffrey Robinson, the Labour MP who is the co-op's chief executive.

This follows a statement by Sir Keith Joseph, Industry Secretary, in the Commons that the Government had rejected the co-op's application for £1.2m interest due on state loans to be waived.

It had been widely assumed that the Government's decision would lead to the closure of the five-year-old co-operative

But earlier this week a meeting of the co-op's creditors decided to launch a rapid study to see whether the business could be saved.

Last night Mr. Robinson described Sir Keith's move as "an act of political spite."

Milk Board buys 16 Unigate creameries in £87m deal

BY CHRISTOPHER PARKES

THE Milk Marketing Board has agreed to buy 16 creameries from Unigate for £55m plus an estimated £32m for stock. The move will more than double the farmer co-operatives' processing capacity and make it the biggest single manufacturer of butter, hard-pressed cheese and milk powder in Britain.

The deal, which will reduce Unigate's milk processing side by three-quarters, includes the transfer from the Milk Board to the company of Wheal Rose Dairies, a West Country clotted-cream business.

It also signals a large-scale retreat by Unigate from the troubled butter, cheese and milk powder sectors. The company said yesterday that before it was approached by the Milk Marketing Board it had already decided to reduce its involvement in this part of the industry, which has failed to live up to the hopes raised when Britain joined the Common Market.

Unigate is now expected to concentrate more on developing the more profitable, rapidly growing markets for fresh dairy produce like yoghourts, convenience desserts, soft cheeses and other specialities.

Benefits for the Milk Board include a greater degree of control over the use and distribution of milk. It said yesterday that the takeover would help ensure year-round supplies to the vital trade in milk delivered to the doorstep.

It added that, once the acquisitions had been paid for in two years, it hoped to be able to pass on benefits to farmers in higher prices for milk.

However, the milk board has apparently failed to win assurances that Unigate will buy back amounts of produce comparable with those it marketed when the creameries were under its control.

"It is understood," the board said, "that it intends to buy significant quantities of cheese, butter, milk powder and other products from the MMB."

Provided the deal is not referred to the Monopolies and Mergers Commission it should be completed on August 18.

Unigate yesterday announced a 38 per cent improvement in pre-tax profits for the year ended March 31 to £43.4m from £31.5m.

Turnover climbed 16 per cent to £1,134bn.

Profits after tax rose from £25.4m to £35.1m and basic earnings per share have increased from 12.55p to 17.29p.

A wise and timely move.

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For latest Share Index phone 01-246 8026

MPs allow themselves £20,000 expenses

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

MEMBERS OF the European parliament are expected to receive more than £20,000 a year in allowances, in addition to almost £60 for every day spent performing their official duties, under an agreement in principle reached between leaders of the Parliament's main political groups.

The proposed allowances would be almost four times those paid to members of the old, nominated, parliament. They would come on top of members' salaries, which vary widely in value and correspond to those of national MPs in the country from which they were elected.

The agreement was thrashed out in meetings of group and party leaders here this week and is intended only as a temporary measure to last until the end of this year. A working party is to be set up to recommend a more permanent system.

The provisional arrangements broadly reflect a compromise between West German Euro-MPs, who wanted a high level of allowances with few strings attached, and British, Danish and Dutch Socialists, who insisted that members must be made to account fully for all their expenses.

British Conservatives in the Parliament, some of whom previously feared they would find it hard to make ends meet, appeared generally relieved at the size of the proposed allowances.

But they argued that they were not excessively generous in view of the generally high staff and office costs on the Continent and the expenses which they expect to incur.

It is pointed out that several Continental countries provide free travel facilities to their Euro-MPs, who in most cases are not obliged to maintain links with populous and often remote single-member constituencies, as is the case in Britain.

Under the proposed system, only about £3,700 of the total could be spent by a Euro-MP at his discretion without having to account to the Parliament. He would be allowed almost £3,000, for which he would have to account, for the rent of an office, furniture and equipment.

The remainder of the allowance, almost £13,500, would cover secretarial help and research assistance. This money would be paid not to the Euro-MP but directly to his staff, who would have to provide evidence of employment.

The per diem living allowance of £59 per day, to cover lodging and living costs while a Euro-MP is on parliamentary business, has been left unchanged.

The value of the allowances has been fixed in European units of account and will value in national currency terms according to the fluctuation of exchange rates.

Message of Euro-harmony gets short shrift

BY ELINOR GOODMAN

THE EUROPEAN Parliament started its formal deliberations in Strasbourg yesterday on an all too familiar note as far as the British members were concerned. No sooner had the 86-year-old Mme. Louise Weiss completed her stately progress to the rostrum than the Rev. Ian Paisley was on his feet with a point of order.

When he arrived in Strasbourg the night before, he complained to the evident bewilderment of the other MPs, he had been appalled to find the Union Jack flying upside down. Would the acting president please give him an assurance that this would not be allowed to happen again?

Mme. Weiss was not impressed. Quoting the rule book at him, in a manner worthy of any Westminster politician she went on to make the most out ofw hat for her was evidently the crowning glory of her long carer as a dedicated Europrean.

As the oldest member of the Parliament, it was her job to perform the role of president until a permanent one could be elected. Few people, seemed, could have been better qualified for the job.

In the course of her speech, she managed to invoke the spirit of virtually every European hero of the past, including some who are not generally remembered in the context of their contribution to Europe and some who are only remembered at all by those with a long interest in the subject.

She began "in the mist of time" with Charlemagne, paused briefly to pay homage to Shakespeare and concluded her rollcall of European honour with her personal reminiscences of leaders like Charles de Gaulle and Robert Schuman.

In passing, she took a quick swipe at the Arabs whom she described with more passion than diplomacy as a "handful of sons of the desert" with the power to destroy a civilisation to which they owed their wealth.

At the end of the speech, the Conservative delegation, who seem only to have to hear a female politician winding up a speech to start shifting enthusiastically in their seats, led the 410 MPs in a standing ovation.

Mme. Louise Weiss (above), oldest member and temporary president of the Parliament, makes the opening address, while the outgoing president, Sig. Emilio Colombo (right) greets some of the young people demonstrating outside the building in favour of a single government for Europe.

Throughout the Tories had behaved like exemplory Europeans. At least half of them demonstrated their familiarity with the French language by distaining the translation and leaning back in their seats with the headphones draped casually around their necks smiling knowledgeably at Mme. Weiss's little personal jokes about European leaders she had known.

The chamber itself could hardly be less like the Palace of Westminster. The members sit in a semi-circle, facing the president and insults therefore have to be flung round corners rather than in straight lines as in the House of Commons.

The decor is a cross between the Festival Hall and the QE2, with members luxuriating on royal blue banquettes beneath a vaulted wooden ceiling.

The presence of the television camera is, of course, one of the things that distinguishes this Parliament from Westminster. pictures are transmitted to virtually every room in the vast building. Nothing is private. Cameras zoom in on every conversation, sometimes dwelling for minutes at time on a detail —like a glass of water or somebody's back.

Apart from the Rev. Ian Paisley's outburst and the brief flutter caused by the appearance of a Scotsman in a kilt, the proceedings in the chamber yesterday morning did not really make good television. Instead, the TV colonised the various bars and halls which surround the chamber.

Enveloped by arc lights, political celebrities were being interviewed, as lesser politicians milled around in an atmosphere which in the morning became increasingly like an airport where no flights have left for days.

In the afternoon, however, attention was once more focused on the chamber for the first public row of the new Parliament. The effect of Weiss's message of European love and harmony was short-lived. No sooner had the MPs assembled for their first debate than they were arguing about procedure, which is an even more fertile ground for dispute, when the rules are written in five languages rather than in one.

In theory, the argument was about how long the president should be elected for, but, as was so often the case at the old Parliament, the real question at issue was more complicated.

Independent members were of resisting another proposed rule change which would have meant the disbandment of the group they formed last week to protect the interests of independent members.

In the end, Mme. Weiss, who was referred to throughout with her honorary title of "the oldest member" but was showing no apparent signs of age, agreed that the session should be suspended to give members the opportunity to "search their souls."

Half an hour later the soul-searching was over and the leaders of the various groups had agreed on a kind of European Catch 22 under which it was laid down that no decision on the length of tenure of the presidency could be taken until the president had been elected.

This meant that the voting could finally begin. Ignoring the elec electronic gadgetry which sprouts all over the chamber, each MP was solemnly summoned to the rostrum like a child signing the school register. When there, he dropped an envelope into a box. The only concession to the 20th century was the fact that every flick of the hand by all 410 MPs was duly recorded by the television cameras.

Bank says expansion levelling out in France

By Terry Dodsworth in Paris

FRENCH industrialists remain cautious about expanding capacity, but are fairly confident about retaining their present satisfactory level of sales and production until the end of the year.

This is the conclusion of a Bank of France survey completed in June. The bank's comments lend support to the view that the expansion which began in French industry late last year has flattened out. But the report is somewhat more optimistic than other recent surveys about future demand trends.

The survey also confirms the report by INSEE, the national statistical office, which earlier this week underlined the marked weakness in industrial investment. According to the Bank of France, French industrialists are beginning to lose orders to foreign competitors because of their reluctance to Stocks are now quite low, it says.

Stock are now quite low, it says.

Given the cautious attitude of much of industry, little prospect of an improvement in unemployment levels is held out in the survey. Short-time working has been reduced, but companies are turning to sub-contractors rather than expanding their own workforces.

Most of the companies questioned in the survey say they will not increase their labour forces during the next few months beyond their obligations under the Government-assisted job creation scheme for school leavers.

David White adds: Signs that French manufacturing industry began to return to a modest growth rate after a poor performance in April were confirmed by official industrial production figures published yesterday.

The adjusted index for output in May, excluding the building sector, showed a 1.5 per cent improvement over the previous month, when production declined by the same margin.

Compared with output levels a year ago, the May figures showed an identical increase of 1.5 per cent. The previous month's results lagged 3.3 per cent behind April, 1978.

IATA meeting may put up air fares 10-15%

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MOST OF the world's major scheduled airlines yesterday began a meeting in Geneva that could result in air fares rising between 10 and 15 per cent from this autumn.

The 63 airlines, all members of the International Air Transport Association (IATA), were called together to discuss the sharp rises in fuel costs this summer, together with fears of further rises, which threaten to double their fuel bills by the end of this year.

At the end of 1978, the average fuel cost for the world airline industry was about 45 cents a U.S. gallon. By July 1, this year, it had risen to 70 cents a gallon, and by the end of the year seems likely to be around 80 cents a gallon.

Fuel prices on the spot market are already well above the latter level, with over $1 a gallon being paid in some places.

The effect of these fuel price increases has been to raise the fuel element of world airlines' total operating costs by anything between 10 and 25 per cent, according to the area of the world in which the airline operates, with an average ris[e] of 16 per cent.

There is no way in which th[e] airlines can recoup these dea[r]e[r] costs—which are additional t[o] other rises in costs such a[s] labour, landing fees, navigatio[n] charges, equipment and spares— other than through higher fare[s].

It is significant, however, tha[t] only one U.S. airline, Nationa[l] is represented at the Genev[a] meeting.

The other U.S. airlines hav[e] stayed away, partly becaus[e] some of them have alread[y] applied to the U.S. Civil Aer[o]nautics Board (CAB) for far[e] increases, and partly because o[f] the CAB's hostility to the IATA and its fares-making procedure.

The Geneva meeting will b[e] long and tough, with consider[]able differences of view among the airlines as to the amount b[y] which fares ought to be raised.

A decision is not likely to b[e] reached before the weekend. I[n] any case, whatever the airline[s] decide to do will have to b[e] approved by their individua[l] governments before becomin[g] effective.

Lawyer's murder revives speculation on Sindona affair

BY RUPERT CORNWELL IN ROME

THE LONG shadow of the Sindona affair has again been cast over Italy, with the assassination in Milan of the lawyer who for more than four years was in charge of the liquidation proceedings of Banca Privata Italiana (BPI), the centrepiece of the Sicilian financier's ill-fated group.

The murder is the latest chapter in an affair which has dragged on since BPI was forced into liquidation in September 1974. It now seems more unlikely than ever that Sig Michele Sindona will be extradited to Italy from the U.S. despite serious accusations outstanding against him, including that of fraudulent bankruptcy.

So far, magistrates investigating the killing of Sig Giorgio Ambrosoli outside his home early last Thursday have little to go on. But they are sure that the motives for the crime can be traced to his professional work, rather than any random act of political terrorism.

The circumstances of the assassination, as reported to have been described by Sig Ambrosoli in the moments before he died, bear the hallmarks of a paid killing. The three gunmen involved asked him for his identity before despatching him with four pistol shots.

But the question being asked is just who was behind the killing. Various theories have been advanced, ranging from sensationalist speculation about prominent figures who might have been compromised by the lawyer's inquiries into the collapse of the Sindona empire, to the suggestion that the killers were Mafia hitmen sent from the U.S.

From his New York base, in a suite in the St. Pierre hotel, Sig. Sindona, who has successfully resisted extradition for nearly five years, denied any link whatsoever with the murder and has threatened to sue anyone who implies as much.

It is known that Sig Ambrosoli was repeatedly threatened in connection with his work in the months before he died. So much so, that he complained to Milan magistrates who opened a separate inquiry into the attempted intimidation.

At the time of his death, the lawyer is understood to have been on the verge of completing a report, said to run to 12,000 pages, on the collapse of BPI, which in September 1974, with total losses subsequently put at 257bn lire, a fortnight after it was put into liquidation Sindona's Franklin National Bank in the U.S. failed.

Ever since there has been insistent speculation that leading politicians and others might be involved, especially in the alleged list of 500 clients of BPI said to have been the beneficiaries of foreign exchange transactions. The list has never come to light.

But Sig. Ambrosoli's death, coming after fresh reports of officially inspired attempts to have the whole BPI affair sorted out painlessly, have done nothing to remove the profound public suspicion that yet again, the true dimensions of an Italian scandal will not be known.

May industrial output rises in Sweden

By William Dullforce in Stockholm

SWEDISH industrial output continues to advance, with a 7 per cent growth in May compared with the same month last year, according to a preliminary report from the Statistical Central Bureau. The industrial production index recorded 137 in May against 128 in May last year and 100 for 1968.

All branches improved output in May with the exception of the pulp mills which showed a temporary decline due mainly to the fact that some mills were taken out of operation during the month.

The paper mills, on the other hand, recorded a 7 per cent improvement over May, 1978, setting a new production record. The volume of paper output has grown by almost 50 per cent since 1975.

The biggest increase was recorded by the iron mines which increased ore and pellets output by 21 per cent, but they were operating at an extremely low level in May, 1978, and turning in heavy losses.

Engineering companies, excluding the shipyards, boosted output by 9 per cent compared with May last year, the largest increases being reported by the transport, machinery and heavy electrical equipment manufacturers.

Jailed Minister likely to be freed

ROME—Sig. Mario Tanassi, the former Italian Defence Minister who was jailed last March for accepting bribes from the Lockheed aircraft company, may be granted an early release.

Justice officials said the Italian appeals court yesterday began considering his request for parole and Public Prosecutor Antonio Furoin said he had no objections to his release. The verdict is expected in about 10 days.

Reuter

Swedes to pay more for petrol

By William Dullforce in Stockholm

day raised the prices of petrol, diesel and light heating oils, but by less than the oil companies had sought.

Mr. Ola Ullsten, the Prime Minister, said domestic prices had to go up after the OPEC oil producers raised their crude oil rates, but he added: "We cannot accept speculative Rotterdam prices as the standard for Swedish prices."

The Government also reimposed maximum prices for heavy fuel oils, after freeing them from control earlier this year. Mr. Ullsten said the prices had risen too swiftly after the control had been lifted.

Petrol will be 10 öre a litre (just under 5p a gallon) dearer from tomorrow, bringing the average price up to SKr 2.30 a litre (24p).

Diesel oil goes up 20 öre a litre, while the Government has allowed an increase of SKr 200 per cubic metre on light heating oil.

The oil companies had asked for increases of 20 öre on petrol, 24 öre on diesel oil and from SKr 200 to SKr 250 a cubic metre on light heating oil.

The Government has gone furthest to meet the company's claims on light heating oil, where the shortage is greatest and where the danger of rationing later this winter is most severe.

The Economic Defence Board has reported a shortage of 1.5m cubic metres in light heating oil stocks. It announced that much heavier fines would be imposed on oil companies and major consumers which had not brought their emergency stocks up to the required levels by August 1.

Some major companies, angered by the Government's clamp on prices, have announced that they will have to cut supplies to customers.

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Lisbon signs $300m loan, reduces deficit

BY JIMMY BURNS IN LISBON

PORTUGAL YESTERDAY signed a $300m syndicated loan which it had been negotiating with a group of international banks since May.

The loan is for ten years with a grace period of five years and will carry an interest rate of ¾ per cent over Eurodollar interbank rates for the first eight years and ⅝ per cent for the last two years.

The signature coincided with the release by the Bank of Portugal of provisional figures confirming a substantial improvement in the country's balance of payments.

The current account deficit during the first quarter this year fell to $67m from $433m during the same period last year. This brought the overall balance of payments in this period to a surplus of $54m against a deficit of $401m in the first quarter of 1978.

The latest figures are encouraging since they cover a period during which sources of revenue from tourist spending and emigrant remittances are normally at their lowest ebb. Tourism revenue in this period reached a surplus of $101m, up on the surplus of $53m in the first quarter of 1978. The surplus from private transfers (mainly emigrant remittances) rose to $475m from $288m.

Portugal's trade deficit in the first quarter fell to $465m from $628m. Imports increased by eight per cent to $1.2bn while exports increased by 35 per cent to $756m. Oil imports rose by 13 per cent.

The figures suggest that Portugal is well in line with its official target for a current account deficit for the whole of this year of around $800m. Tourist revenue and emigrant remittances are expected to increase subsetantially during the next two quarters, which will largely compensate for a slackening in exports and an increase in imports.

Meanwhile, consumer prices last month increased by 1.2 per cent bringing Portugal's annual inflation rate to 24.2 per cent.

DOUBTS OVER FUTURE OF SPAIN'S STATE-OWNED NEWSPAPERS

Franco's Press leaves legacy of problems

BY DAVID GARDNER IN MADRID

IN A move that had important implications for the whole of the Spanish media, six daily newspapers and a press agency were closed by government decree in Madrid last month. Journalists, printers and administrative staff reacted immediately by occupying premises and distributing bulletins combatively titled "Press in Struggle" or "Free Press."

Yet this was far from being a clear cut case of heavy-handed state censorship. For the papers, which had been losing increasing amounts of money, belonged to the State. And apart from presenting the economic case for closure, the Government justified the move on grounds well in keeping with Spain's new-found commitment to democracy: the existence of a chain of state-owned newspapers in the fourth year after Franco's death had become an increasing anomaly.

But this is almost certainly not the whole story. Opposition politicians suspect that the Government's plans for the future of the state-owned media may be motivated by the desire to increase rather than diminish the ruling party's power over the press.

The papers were owned by the so-called State Media for Social Communication (MCSE), made up essentially of 35 newspapers that served as mouthpiece for the Franco dictatorship's institutional party, the "Movimiento."

The ruling party, the Union de Centro Democratico (UCD) has been under attack for preserving this potentially powerful information outlet and burdening the Exchequer with its growing deficit. Last year this reached Pta 1.7bn (£12.3m), and the loss was expected to rise this year to as much as Pta 6bn (£43m).

The best-known paper affected was Arriba, the Madrid daily regarded as the official Government paper. It lost Pts 490m last year, its circulation plunging to 7,823 at an average production cost of Pts 273 a copy. Solidaridad Nacional and La Prensa, both printed in Barcelona, lost just over Pts 100m each, and were selling 2,811 and 2,094 papers a day, at a respective cost of Pts 166 and Pts 257 a copy.

The Government has blunted any opposition to the closure from the labour movement by providing guarantees on the 4,000 jobs at risk throughout the chain.

None the less, both the form and timing of the decision were a surprise. The issue of the state-owned newspapers had been repeatedly shelved by the Government, which argued that it had more pressing questions to attend to.

The most likely solution had been thought to be an overall plan for Parliament to consider. Instead, the Government bypassed Parliament, ignored both employees and the papers' original owners—mostly political parties on the losing side of the civil war—and axed six of the 35 titles in a hastily drafted decree.

The newspapers' employees, in particular, had long ago proposed the conversion of those papers with a viable base and little or no local competition into co-operatively-run regional newspapers, for which there is proven need. This would have immediately reduced a drain on public spending.

The Government at present, however, seems bent on avoiding this important slice of the media falling into anybody else's hands. By postponing the issue for so long, it ensured that many publications in the chain became politically discredited and sunk into a morass of debt from which it would have taken a great deal of money to extricate them.

Furthermore, the argument it is using in the MCSE case can be equally well applied to the state-owned radio and television network, and the state-controlled news agency, over both of which the ruling UCD has a stranglehold. Both run large deficits, are financed by public subsidies, and regularly distort information in the interests of the UCD and the Government.

The UCD meanwhile, recognising the MCSE in its present form as a liability, has established important links with the independent, or apparently non-party Press. Five Ministers in the present Cabinet have close connections with the newspaper business, with the most significant single example the Cambio 16/Diario 16 tandem, the best-selling weekly news magazine and Madrid daily.

Cambio 16 was founded eight years ago, agitated for democracy under Franco, counselled moderation throughout the post-Franco transition and now acts as a sounding board for the governing party, following a UCD-engineered capital injection last year.

Although the paper maintains an air of critical independence, the meeting of minds is such that four members of the original Cambio team are now senior Government officials.

A recent example shows how Cambio has given the Government flanking help: not long before the March general elections Sr. Juan Tomás de Salas, the paper's editor, launched a series of savage attacks on the French Government, for allegedly harbouring ETA terrorists in the French Basque country, deflecting blame for the deteriorating Basque situation on to the French.

But the UCD's new strategy of penetrating the independent press has not dispelled opposition suspicions that after closing some of the MCSE's biggest loss-makers, several of the remaining papers or their plant will be auctioned off to private interests sympathetic to the government party.

Significantly, the papers closed last month are all in cities where the UCD already has reliable information outlets. Axing the rest of the chain would leave ten provincial capitals with no paper at all.

Sr. Adolfo Suarez, the Prime Minister, answers questions during an election programme on Spanish radio earlier this year. Doubt has been cast over government plans for the future of the state-controlled media.

After last April's municipal elections, only two of these cities are controlled by the UCD, so there would be no lack of incentive for new newspapers to emerge to fill the gap, with cheap plant purchased from a defunct MCSE. If Opposition suspicions are borne out, and the Government does indeed move to replace the MCSE newspapers with new ones sympathetic to the ruling party, then the UCD's stranglehold on the Spanish media will have tightened still further.

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Low growth, high prices forecast in Canada

By Victor Mackie in Ottawa

CANADA is in for a protracted period of low growth, high inflation and balance of payments problems, according to the latest quarterly forecast issued yesterday by the Conference Board in Canada.

The real rate of growth in GNP is now expected to be 3.3 per cent in 1979, and only 1.4 per cent in 1980.

Inflation is expected to average 9.2 per cent in 1979 and 9.4 per cent in 1980. The unemployment rate is forecast at an average 7.8 per cent in 1979 and 8.2 per cent in 1980.

This forecast has been made on the assumption of no changes in present economic policies in Canada. Consequently none of the campaign promises made by the new Progressive Conservative Government, such as the tax deductibility of mortgage interest, personal tax cuts, or changes in the domestic oil pricing policy, were taken into consideration in making the forecast.

In the past the Canadian economy has tended to move in sympathy with the U.S., and the Conference Board sees no reason to expect this to change. Therefore the outlook for the Canadian economy was governed by that for the U.S., which is expected to go into a recession starting in the second quarter of 1979.

In 1977 and 1978 the main source of stimulus for the Canadian economy came from the trade sector, where exports of manufactured goods to the U.S., aided by the depreciation of the Canadian dollar, grew rapidly. With the removal of that stimulus, because of the expected decline of U.S. demand and with very little momentum originating from the domestic economy itself, not much growth in Canada can be expected.

Meanwhile, Mr. Ronald Atkey, the Employment Minister, announced yesterday that the fourth and final phase of the community-based Canada works programme would be funded at C$100m (£38.5m). Slightly more than 91 per cent was allocated to Quebec and the Atlantic provinces and the remainder to British Columbia, the Yukon and North-West Territories.

Schlesinger promises to quit before primaries

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

DR. JAMES SCHLESINGER, the embattled U.S. Energy Secretary, has reached an understanding with President Carter that he will leave his post by the time the first primary elections begin next year, he said yesterday.

"I don't think I would necessarily be an asset during the primary season," he remarked in a TV interview, tacitly acknowledging the popular view that, despite some recovery in his fortunes in recent weeks, he remains something of a political liability to the President.

It is more likely, however, that Dr. Schlesinger will leave his job sometime this autumn. President Carter is known not to want to make him the apparent scapegoat for the unpopularity of his Government during the energy crisis.

This is partly because he thinks such an assessment is unfair and partly because Mr. Carter's loyalty to subordinates under fire has been a characteristic of his Presidency.

The President was moving yesterday to shake up his Administration, to delegate some authority to aides and relieve himself of much of the day-to-day managerial burden.

In his Sunday night speech, he admitted the validity of the criticism that he been too much a manager rather than a leader as President. Also he took public note of the charge that his aides lacked discipline.

The most likely fruit of the round of discussions he had with his advisers will be the elevation of Mr. Hamilton Jordan, his political counsel, to the role of quasi-White House Chief of Staff.

Mr. Carter has long believed the White House did not need an overall manager—because he thought he could do the job himself and because it recalled the bad old days when H. R. Haldeman ran the "Berlin Wall" around President Nixon.

But Mr. Carter now seems to have changed his mind in favour of devolution, even though Mr. Jordan may not be given a formal title.

Mr. Jordan has already come in for unfavourable comment in Washington, but the real criticism against him is that, despite his brilliant success managing Mr. Carter's campaign for the Presidency, he has been a poor organiser and director of policies in the White House.

Against this, his political sense is reckoned to be good and he has become an omnipresent figure in domestic and foreign policy decision-making. The President clearly relies on him considerably.

However, he is an inner member of the "Georgian Mafia" around Mr. Carter whose "parochialism," in the opinion of many observers, has more hindered than helped the President in his performance in office. But, as is the case with Dr. Schlesinger, Mr. Carter's loyalty to those he trusts is strong.

Two other members of that group may also receive enhanced responsibilities. Mr. Jody Powell, the generally well-regarded Press Secretary, may assume some of the broader duties being vacated by Mr. Gerald Rafshoon, who is shortly leaving the White House to work on the Carter-Mondale re-election campaign.

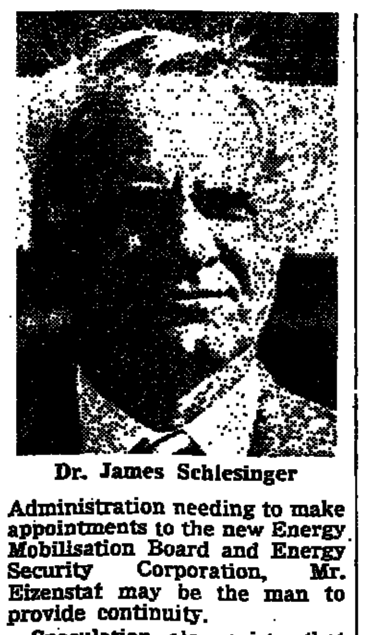
Mr. Stuart Eizenstat, an architect of this week's energy programme and many other domestic economic issues, may be given a more specific energy brief than at present.

With both Dr. Schlesinger and his Number Two, Mr. John O'Leary, leaving soon, and the Administration needing to make appointments to the new Energy Mobilisation Board and Energy Security Corporation, Mr. Eizenstat may be the man to provide continuity.

Speculation also exists that Mr. Carter may reshuffle his Cabinet, though at this late stage of his first term in office and with his re-election by no means a certainty, cosmetic changes may do more harm than good.

Some of the White House "Georgians" are known to have reservations about some members of the current Cabinet—including Mr. Blumenthal, Treasury Secretary, and Mr. Califano, Secretary of Health, Education and Welfare.

But Mr. Carter only recently designated Mr. Blumenthal as his chief economic spokesman, and is unlikely to reverse that status overnight.



Dr. James Schlesinger

U.S. ready to evacuate citizens in Nicaragua

WASHINGTON — A U.S. Navy amphibious assault ship carrying helicopters is off the east coast of Nicaragua in case there is a need to evacuate Americans, Government officials said.

Nineteen soldiers were ready to go in with the helicopters to help protect departing Americans, if necessary. They would reinforce the 13 Marine guards stationed at the Embassy in Managua.

The Defence Department refused to discuss a report that the Saipan, one of the Navy's newest amphibious warships, has been stationed about 40 miles from Nicaragua since last week.

The Saipan has taken aboard four U.S. Air Force HH-53 "Jolly Green Giant" helicopters, each of which can carry 35 passengers. They flew to the ship from the Panama Canal Zone after Costa Rica ordered out two U.S. helicopters sent there to be ready for possible evacuation of Americans from neighbouring Nicaragua.

About 50 American officials remain at the U.S. Embassy in Managua.

AP

Carter gives boost to nuclear industry

BY DAVID LASCELLES IN NEW YORK

PRESIDENT Jimmy Carter has made good his failure to mention any role for nuclear power in his Sunday energy message, by saying it "must play an important role in the U.S. to ensure our energy future."

Speaking in Kansas City, Mr. Carter stressed that nuclear power already accounted for 13 per cent of the country's electricity—more in some areas. The Kemeny Commission investigating the Three Mile Island accident "will help us to ensure safety," he added.

His remarks have encouraged the nuclear power industry, whose future came into question after the Three Mile Island incident. The Atomic Industrial Forum said the industry was "pretty buoyed up" by the Kansas City speech.

Prospects for nuclear power are still uncertain, given the regulatory problems and that none of the $142bn earmarked for energy development over the next 10 years will go to the industry.

Worries about nuclear safety prompted the Senate on Monday to vote to close nuclear plants in States that do not have Federally-approved evacuation plans for people threatened by nuclear accidents. But it rejected an attempt yesterday to impose a six-month moratorium on construction permits for new plants.

Meanwhile, General Public Utilities, the owner of the Three Mile Island nuclear plant says it may be possible to restart the crippled nuclear reactor there in just under four years from now, but the cost would be about $400m.

In an initial report, the company said decontamination and reactivation of the reactor would cost $320m, barring major legal and other complications. But the plant would also have to buy a new reactor costing between $60m and $85m, including uranium.

The reactor, which precipitated the worst nuclear accident in the U.S. on March 28, is insured for $300m. But engineers have been unable to enter the sealed containment chamber because of high radiation levels. They are unlikely to be able to do so before the end of this year.

The report for General Public Utilities was prepared by Bechtel, one of the U.S.'s leading nuclear plant engineers.

Connally seeks to lead anti-Carter conservatives

BY DAVID BUCHAN IN WASHINGTON

"I UNDERSTAND in Texas these days you have 'Rent-the-Yankees' car stickers," a lady at a Republican gathering last week in Hartford, Connecticut, told John Connally, "and I don't like the sound of that." Neither would it vastly amuse a lot of other northern voters in New England, where petrol queues have now slightly eased, only to concentrate minds on the real prospect of a heating oil shortage there this winter.

It takes a high-speed shutter to catch Mr. Connally registering embarrassment. As a former Texas Governor, now a prominent Houston lawyer with Arab and oil company clients, Mr. Connally is associated in fact and in the public mind with the unpopular oil industry. But as Republican Presidential candidate, he needs New England votes, particularly in New Hampshire, the first state to hold a primary (intra-party) election next year. That will be his chance, and perhaps his only one, to derail the current Republican front runner, Mr. Ronald Reagan, 69 years old next year, but still the man all the other party hopefuls have to beat.

Mr. Connally was not likely to fluff his first campaign foray into Connecticut, a state where existing Republican loyalties are split between Mr. Reagan and Mr. George Bush, and one of 23 states which Mr. Connally has not canvassed since he announced his Presidential bid in January. Reminding his audience that Houston too was bearing its share of the petrol queues, he moved quickly into a rousing appeal for Americans to sink regional differences and pull together, under strong leadership.

President Carter's low political standing, brought down by his difficulty in coping with energy and inflation, has spurred Republican hopes of recapturing the White House next year. No candidate seems better placed to capitalise on Mr. Carter's perceived lack of leadership than the forceful 62-year-old Texan lawyer.

Simple recipes for intractable problems sound forceful, and Mr. Connally makes energy self-sufficiency seem simple — lease more federal land for oil exploration, build nuclear plants more quickly, set aside environmental rules for a time to burn more coal, and take all price controls off oil immediately.

It is also part of a general philosophy that rejects attempts by Mr. Carter and some of his officials to din into Americans the new limits placed on the U.S. by economic problems at home and by the relative rise in the military and economic power of other countries. For Mr. Connally, the only American who has reached his limits is Jimmy Carter.

Mr. Connally's campaign style will not surprise those foreign finance ministers and central bankers who smarted under his undisguised determination to put U.S. interests first while he was President Nixon's Treasury Secretary. The difference now is that, as Presidential candidate, he has a broader canvas. Like almost all of next year's candidates, he calls for stronger defence. Unlike some, he is waiting, probably wisely, for a clearer view of the SALT II debate in the Senate before making the treaty an issue.

Mr. Connally, however, can be almost as tough on traditional U.S. allies. He is the only candidate so far to make trade an issue, recently telling cheering businessmen that if Japan did not let more U.S. imports in, the U.S. should tell them "to sit on the docks of Yokohama in their Toyotas, watching their television sets."

A cynic might observe that a man of such unpunctuable self-confidence almost deserves a handicap in the race for the White House. Mr. Connally has three—the first is his image of being too slick by half. The second is his trial in 1975, on charges of taking a $10,000 bribe while he was at the Treasury. Although he was acquitted, only the primaries will show whether he can brush this off completely.

The final handicap is his 1973 switch from the Democratic Party. Mr. Connally needs to convince the rank and file in the Republican party machine that he is not just an opportunist. He has toured the country—both before and after declaring his candidacy—trying to do just that.

Mr. Connally has shown very strongly in straw polls in some individual states. Still, the latest Gallup survey of Republican preferences nationally showed Mr. Reagan in front with 38 per cent, Mr. Gerald Ford 26 per cent, Senator Howard Baker 10 per cent, and Mr. Connally heading the "also-runnings" with only 5 per cent. If former President Ford does not run—and this is the general guess—his middle-of-the-road following is considered unlikely to line up behind either of the two main conservatives: Mr. Reagan or Mr. Connally.

To succeed, Mr. Connally needs to take over from Mr. Reagan at an early stage the conservative constituency they share. He will find it hard. The former California Governor has an established network left over from the 1976 campaign; while Mr. Connally has little to start from, having last run for elective office in the 1960s, and as a Democrat. But the momentum of the Connally campaign has alarmed those around Mr. Reagan, who has barely bestirred himself.

An early primary win in his home state, providing nearly 10 per cent of the Republican delegates Mr. Connally would need to secure the party nomination, would have suited him admirably. But a Connally-inspired bid in the Texas legislature to bring the date of its primary forward from May to March ended in comedy, when Democrats hid for several days to prevent a quorum on the motion. To make up for that, the Connally campaign has spent heavily on 12 early primary states from the $2.2m it has raised this year.

A subtler tactic Mr. Connally has used is to remind Republicans that whomever their convention chooses could possibly face Senator Edward Kennedy in the November 1980 election. He implies that, out of the crowded Republican field, only he with his broad appeal—that still extends to some Democrats—could go the distance with the Massachusetts senator. "Kennedy-Connally" would certainly be a fight worth getting ringside tickets for.

Mr. John Connally . . . Could be Carter's strongest challenger

Republican bid to revive tax cuts Bill

By David Buchan

REPUBLICAN PARTY and Congressional leaders yesterday called for heavy income tax cuts to prevent growth and employment falling in the present economic recession. They also criticised President Carter for his "steady-as-you-go" policy.

The latest Administration forecast is that, largely because of higher OPEC oil prices, the U.S. is now in a mild recession, with real output expected to decline 0.5 per cent this year and rise a modest 2 per cent next year.

The jobless rate of 5.6 per cent is forecast to rise to 6.9 per cent by the end of next year, with inflation moderating only slightly.

The Republicans, meanwhile, have decided to revive the Roth-Kemp Bill, which has been languishing on Capitol Hill for two years for an across-the-board 10 per cent income tax cut in each of three successive years.

Senator Bill Roth, one of its Republican sponsors, said yesterday the first attempt to revive the bill would come next week when an effort would be made to tie it on to the windfall profits tax proposal.

The logic of the Republican tax cutters is that this will increase savings and investment and improve productivity, thereby keeping the U.S. economy expanding.

Battle of the Ixtoc oil slick

BY WILLIAM CHISLETT

"THERE ARE still plenty of shrimps, although they are beginning to taste a little oily," joked a waiter at the main restaurant in Ciudad de Carmen, 60 miles from the world's worst oil spill.

For the past five weeks 30,000 barrels of oil a day has been pouring into the Bay of Campeche, in the southern corner of the Gulf of Mexico, from a blowout at the offshore drilling well Ixtoc One, which has reserves of 800m barrels.

Mexico's production from the field—one of the world's richest offshore—came on stream last month from the nearby well Akal C, and is optimistically projected to reach 500,000 barrels a day by the end of 1980. But the Ixtoc spill could slow down offshore development.

The oil slick, which spread over an area about 300 miles long and 20 miles wide in isolated blotches, has not yet come ashore. The islanders of Carmen have few complaints. The large fishing fleet, the mainstay of the island's economy until oil was discovered seven years ago, continues to unload oysters, red schnapper and other fish.

At Ixtoc, however, coping with the blowout is a fierce battle unlikely to let up until the end of August, when two relief wells are completed.

Repeated attempts by Pemex, the state oil monopoly, and the Texan expert Mr. Red Adair, to seal off Ixtoc have failed because of the tremendous pressure. The only hope is to finish the two relief wells.

Controlling the slick is posing serious problems for Pemex in the form of a drain on manpower and resources. About 500 men, 20 vessels and a dozen helicopters are involved in the operation.

Over 1.2m barrels have spilled into the water so far, against 1.3m barrels from the tanker Amoco Cadiz, which broke up off the coast of Brittany last year.

So far, Pemex's bill in lost oil is about $20m—the price of Mexican crude increased from $17 to $22 earlier this month—and the rescue operation is estimated to cost almost as much again.

By the time the two wells are completed, at least 2.5m barrels will have poured into the gulf.

I flew over the whole area in a Pemex helicopter and saw no signs of the slick until we arrived at Ixtoc. A vast, muddy-brown mass of oil is travelling north towards Texas, and should miss the Mexican beaches unless the current changes.

If hurricanes start up, as they normally do at this time of the year, it is feared the slick could move ashore—an ironic prospect if it hits U.S. beaches, given the present energy crisis and the Administration's desire to obtain as much Mexican crude as it can.

My helicopter followed the slick, which looked to be about a mile wide, for at least 10 miles before returning to land on the barge being used to direct the rescue operation.

Only 150 ft away, 20 ft flames lick the surface of the water, which bulges and swells with the tremendous pressure caused by the escaping gas and oil.

Oil dispersant is being sprayed on the slick from the barge. But the heat from the flames and the blistering sun make the job even more arduous.

NOTICE TO HOLDERS OF

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6% CONVERTIBLE DEBENTURES DUE AUGUST 31, 1991

Pursuant to Section 3.03(J) of the Indenture dated as of June 30, 1976 under which the above Debentures were issued, notice is hereby given that, because of issue of 10,000,000 new shares of Common Stock in Japan, the conversion price of the Debentures was adjusted, as of July 17, 1979 in Japan (July 16 in New York City, London and Luxembourg), from Yen 960.6 per share of Common Stock to Yen 957.2 per share of Common Stock.

THE DAIEI, INC.

By: The Bank of Tokyo Trust Company as Trustee

July 18, 1979

India's contenders wait for the President's call

BY K. K. SHARMA IN NEW DELHI

THE LEADING contenders for the Indian Prime Ministership waited impatiently yesterday for the President, Mr. Sanjiva Reddy, to call on one of them to attempt to form a government in place of Mr. Morarji Desai's caretaker Cabinet.

Meanwhile manoeuvring continues in what now appears to be a contest between two leaders. Mr. Charan Singh, 76, former Deputy Prime Minister, is desperately trying to woo non-Janata parties and groups in a bid to satisfy the President that he has the requisite majority. Mr. Jagjivan Ram, Deputy Premier and Defence Minister, appears to be biding his time before seeking to meet the President with his own list of supporters.

Mr. Ram, aged 71, whose home in New Delhi was thronged with slogan-chanting followers yesterday, must become leader of the Janata Parliamentary group before he can call on the President. Standing in his way is Mr. Desai who is clinging to this post on the ground that he was elected for a five-year period.

Mr. Ram's followers and supporters are pressing Mr. Desai to give way and he has agreed to hold a meeting of the parliamentary party tonight. It is expected that he will then step down and be replaced by Mr. Ram.

Mr. Desai has attracted much criticism for trying to hang on to his party post after resigning as Prime Minister. Now 83, he is widely blamed for the disintegration of the Janata Party. He again met the president yesterday and is thought to have asked for the chance to form a new Government or for Parliament to be dissolved to make way for elections.

Mr. Reddy is reluctant to order a mid-term poll and is continuing to explore the possibility of finding someone who can form a government. His approach is based on the assessment by all responsible leaders, except Mrs. Indira Gandhi, that the country is not ready for an election and that the result would mean instability.

Israel's oil storage 'desperate,' MPs told

By David Lennon in Tel Aviv

ISRAEL'S oil storage situation is desperate and constitutes a greater danger to the country than possible military action by the Arab states, according to Prof. Moshe Arens, chairman of the Knesset Foreign Affairs and Defence Committee.

Mr. Yitzhak Modai, Minister of Energy, has admitted to the committee that the country is short of fuel storage facilities and that there are no underground reservoirs. That was the result of interference and opposition by ecologists. Mr. Yitzhak Rabin, the former Labour Party Prime Minister, said in defence of his government's failure to act on the matter.

Mr. Modai told the committee that Israel is dependent on erratic supplies for two-thirds of its oil needs. After the Alma Field in the Gulf of Suez is handed to Egypt in November, Israel's dependence on outside sources will grow to 98 per cent, he said.

Prof. Arens said that because of the danger to the country if oil supplies dried up, it was essential that a clear and detailed agreement be worked out with Egypt on future supplies from the Alma Field before it was handed over.

Under the peace agreement between the two countries, Egypt has agreed to sell oil to Israel but there is no commitment on quantity.

Mr. Modai conceded that reiteration of the Egyptian undertaking by President Sadat to Mr. Menahem Begin, Israel's Prime Minister in Alexandria last week, "was only a vague and generalised oil agreement."

British envoy for Namibia talks

BY QUENTIN PEEL IN JOHANNESBURG

A SENIOR BRITISH envoy is expected in South Africa within the next two weeks in an effort to revive the moribund Western initiative for a settlement in Namibia (South West Africa).

He is expected to meet Mr. Pik Botha, the South African Foreign Minister, as a prelude to a further round of talks with representatives of the five Western members of the Security Council.

The aim of the latest initiative, which follows talks in London last month between Mr. Botha and Lord Carrington, the British Foreign Secretary, is to persuade South Africa to reconsider its flat rejection of the United Nations plan for a ceasefire and elections.

Observers remain sceptical about the prospects for an accommodation, given the growing intensity of the guerrilla war in the territory and the apparent determination of the South African Government to press ahead with steps leading to unilateral independence there.

The two grounds for South Africa's rejection of the UN plan were: a proposal for guerrillas of the South West Africa People's Organisation to be allowed to remain in the territory at special locations during the election process; lack of any provision for UN troops to monitor SWAPO bases in neighbouring territories.

The Western states hope that South Africa might be prepared to drop its insistence on the monitoring of SWAPO bases, if SWAPO can be persuaded to relax its demand for locations within Namibia. However, it is understood that Mr. Botha was adamant on both points in his talks with Lord Carrington.

MARK WEBSTER, recently in Lome, assesses Gen. Eyadema's rule

The 'Guide' gives Togo the good life

ONE LOOK at the well-stocked shelves of Lome's most modern supermarket proves that you can buy goods from any country you like—as long as it is France. Cheeses, wines, sausages, and even washing powder bear the label of Togo's former colonial master. And, as one might expect in a Francophone country, the best restaurant in town is a white-walled building with red checked tablecloths called L'Auberge Provençale.

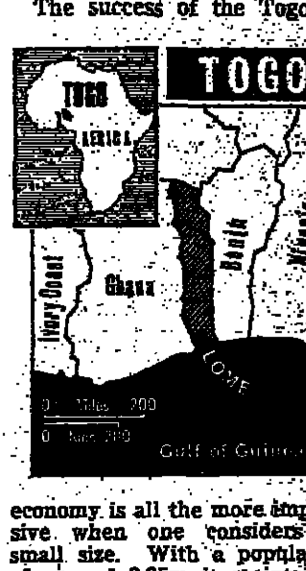
In fact, throughout the country the only influence more noticeable than that of France comes from the sole political party, the Rassemblement du Peuple Togolais (RPT). Its leader is General Gnassingbe Eyadema, who is both President and Chief of the Armed Forces.

Variously referred to in the Government-controlled press as the "guide" and "father" of the nation, an air of mysticism has surrounded the President ever since he survived a mysterious air crash in 1974. His portrait appears on little lapel badges and giant hoardings around town with slogans such as: "Thank you, Eyadema, for the Year of the Peasant" and "Agriculture, the biggest worry of our Guide."

His brand of heavy handed paternalism, backed up by an extremely efficient police force, has given the country political stability in the 12 years since he came to power in a coup. Since then the Government has been ruled by decree. The Administration claims it has tried three times to restore civilian rule—each time being prevented by "spontaneous" demonstrations asking it to stay.

The conservative economic policies of the Government have made Togo a paradise for visitors from neighbouring Ghana. Lome has excellent hotels and regular supplies of untaxed food and alcohol. A bottle of gin or whisky imported from Britain is under £2 a bottle while a bottle of good French wine is less than £1.

The success of the Togolese



economy is all the more impressive when one considers its small size. With a population of around 2.25m it maintained a steady, if unspectacular growth rate up to 1974-75. It has remained free from the corruption and ostentatious wealth of the neighbouring Anglophone countries and has made significant progress in expanding its system of schools, hospitals and other services.

A sharp rise in the world price of its major export commodity, phosphates, prompted the Government to embark on an ambitious development programme designed to give the country an industrial base and improve its facilities for conferences and tourism. But while prices were high in 1974-75, they slumped again in 1976 and Togo found itself with a mounting balance of payments deficit and an external debt bigger than its gross domestic product.

Total external debt is thought to be $1bn not a big sum by comparison with say, Zaire, but more than four times the value of annual exports. Debt servic-

Gen. Gnassingbe Eyadema "father of the nation"

ing has become a chronic problem and annual repayments account for more than 30 per cent of export receipts, according to economists.

The debt was contracted mainly for development projects which the Government began under the Third National Development Plan of 1976-80. They include a $300m cement clinker factory built in co-operation with Ghana and Ivory Coast, a $100m 30-storey skyscraper conference centre in Lome, an $80m petrol refinery, a $37m steel plant, a $20m luxury hotel and a $20m international trade fair complex.

The cement factory is generally expected to be a success. The petrol refinery, opened in January 1978, closed in August, re-opened in April 1979 and is now running at well below capacity. It is hoped that rapid changes in the oil market will eventually make it profitable. The outlook is less encouraging for the steel refinery—which is currently refining the old Lome Wharf and will then have to import scrap metal—and for the hotels and conference centre—because even existing hotels are half empty.

Nonetheless, most economists agree that Togo's problems can be overcome with a little help from its friends. It has a stable currency, thanks to its membership of the French Franc Zone and an inflation rate which has hovered between 10 and 15 per cent but has never got out of hand. The Government has also shown a great deal of self control in slashing development expenditure to which it was not already committed.

The Paris Club of International Creditors met in mid-June for talks on rescheduling Togo's external debt and the International Monetary Fund has also become involved. Economists believe that the fund will eventually intervene with some form of balance of payments support.

At the same time, production of phosphates could reach 3.5m tonnes a year next year: the installation of a fifth treatment line should increase production by 600,000 tonnes. The government is also building a secondary recovery plant which should save 200,000 tonnes a year which is currently wasted during processing.

Finally, with help from the world bank, a major replanting exercise is underway to improve production of the other two important export earners, coffee and cocoa. Production of both is currently declining, partly because of bad weather, but also because old plants have been uprooted and new ones have not yet started to produce.

Nkomo and Mugabe shut out of Lusaka conference

BY DAVID TONGE

THE COMMONWEALTH Conference in Lusaka will not give facilities to the leaders of the Patriotic Front, Mr. Robert Mugabe and Mr. Joshua Nkomo, according to Mr. Shridath Ramphal, Secretary General of the Commonwealth.

But Mr. Ramphal stressed that the nationalist elements now outside Rhodesia are a major part of today's reality. He said: "The overwhelming mood in the Commonwealth, as you know, is to see the hybrid—Zimbabwe Rhodesia—as an unacceptable option, not a valid transition, still less journey's end."

Speaking in London yesterday Mr. Ramphal criticised British newspapers for printing reports, largely from Salisbury and Johannesburg, that several heads of government might stay away from Lusaka. "These are hardly centres of reliable information on the thinking in Commonwealth capitals; but their misinformation got much projection here."

However, he did stress that he had obtained assurances from both Mr. Nkomo and Bishop Muzorewa that there would be a ceasefire during the conference.

Mr. Ramphal emphasised the importance of the Commonwealth as a forum for a continuing North-South dialogue. He stressed that while Rhodesia and South East Asia would be important issues to be discussed in Lusaka, global economic issues had featured in the last two Commonwealth conferences and would also be important this year.

Among the initiatives being taken is one to promote the industrialisation of developing countries. Mr. Ramphal, who is also a member of the Brandt Commission on North-South issues, said the Commission hoped to finish its work in October and to have its report ready around the end of the year.

Lebanon's new Cabinet faces an uphill battle

BY IHSAN HIJAZI IN BEIRUT

THE NEW Lebanese Cabinet held its first meeting yesterday under President Elias Sarkis and discussed future strategy.

The 12-man cabinet of seven parliamentarians and five non-political technocrats, which was formed on Monday, has evoked mixed reactions. The consensus is that the government will not be able to handle the tension between the Lebanese communities which has continued since the election of president Sarkis three years ago brought the civil war to a formal end.

Mr. Salim al-Hoss, the Prime Minister, expressed hope yesterday that the Cabinet would bring conditions in the country back to normal and set the stage for national reconciliation.

Optimists said the fact that a cabinet was formed at all was a positive sign. While ending old political feuds may not be possible for the time being, the public, they said, would be satisfied if the new government dealt with problems bearing on daily living such as power, water and petrol shortages, a deteriorating communications system and runaway inflation.

Meanwhile observers here said the new Government structure in Iraq, which was announced on Monday after the resignation of President Ahmed Hassan al-Bakr, represents a smooth transfer of power.

The appointments which followed the President's resignation at the age of 67 because of ill-health, are in line with the hierarchy in the regime as it existed under Mr. Bakr. Mr. Saddam Hussein, who takes over as President, was President Bakr's second in command and the regime's strong man.

Mr. Izzat Ibrahim, who has taken over Mr. Hussein's post as vice-chairman of the Revolutionary Council was third in line. Mr. Taha Yasin Ramadan, who has been given the new title of First Vice-Premier, was fourth in the hierarchy.

Mr. Saadoun Chaker, who replaced Mr. Ibrahim as Interior Minister, is expected to retain his powerful post as Chief of Intelligence.

Iran bomb kills eight at Kurdish town rally

BY OUR TEHRAN CORRESPONDENT

EIGHT PEOPLE were killed and 14 injured in a bomb explosion in a public square in the Iranian Kurdish town of Baneh last night. The explosion occurred as people were gathering for a rally in support of Ayatollah Khomeini.

The explosion destroyed 13 shops, four houses and a cinema. No one has so far claimed responsibility.

Two days ago 20 people were reported to have been killed in another Kurdish town, Marivan, during fighting between revolutionary guards and local residents.

Many Kurds are uneasy at pressure being exerted by the Shia religious leadership. The call for public support of an Islamic republic that would treat non-Shia Moslems as second-class citizens has aroused much opposition.

Meanwhile, the head of the National Iranian Oil Corporation has announced that the security of oil installations will be entrusted to the oil workers themselves. According to a newspaper interview, Mr. Hassan Nazih has said that thousands of oil workers will be armed to defend installations and pipelines against saboteurs.

He said the issue of improved security in the industry was being studied by a commission set up by the Prime Minister. The question has been brought into sharp focus by continuing unrest among the Arab population of Khuzestan and recent pipeline explosions for which a clandestine Arab group claimed responsibility.

Johannesburg Consolidated Investment Group

(All companies mentioned are incorporated in the Republic of South Africa)

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 JUNE 1979
WITH COMPARATIVE FIGURES FOR THE PREVIOUS QUARTER

Randfontein Estates

The Randfontein Estates Gold Mining Company, Witwatersrand, Limited
Issued capital: R10 827 106
(Divided into 5 413 553 shares of R2 each)

OPERATING RESULTS

	Quarter ended 30.6.79	31.3.79	Six months ended 30.6.79
Gold			
Ore milled — tons	973 000	845 000	1 918 000
Kilograms produced	5 838	6 615	12 453
Yield — grams per ton	6,0	7,8	6,5
Revenue — per ton milled	R41,95	R45,43	R43,66
Working costs — per ton milled	R26,70	R24,92	R25,83
Profit — per ton milled	R15,25	R20,51	R17,84
Uranium			
Tons treated	876 000	654 000	1 530 000
Kilograms produced	107 692	46 930	154 622
Yield — kilograms per ton	0,123	0,072	0,101

FINANCIAL RESULTS (R000)

	Quarter ended 30.6.79	31.3.79	Six months ended 30.6.79
Revenue from gold	40 819	42 932	83 751
Working costs	25 979	23 550	49 529
Profit from gold	14 840	19 382	34 222
Profit from uranium	3 847	1 101	4 948
Net sundry revenue	268	214	482
Operating profit	18 955	20 697	39 652
Net interest payable	520	280	800
Profit	18 435	20 417	38 852
Capital expenditure	3 774	4 143	7 917
Dividends declared	13 534		13 534

Note
No provision for taxation or State's share of profits is required as the Company has balances in respect of unredeemed capital expenditure and accrued allowances.

DEVELOPMENT

A total of 11 095 metres was advanced during the quarter (9 532 metres).

SAMPLING RESULTS:
UE1A REEF

	Quarter ended 30.6.79	31.3.79
Sampled — metres	2 124	1 841
Channel width — centimetres	167	164
Gold		
Av. value — grams per ton	7,0	7,3
— centimetre grams per ton	1 169	1 197
Uranium		
Av. value — kilograms per ton	0,298	0,290
— centimetre kilograms per ton	49,77	47,56

AREA RESULTS
UE1A REEF

	Quarter ended 30.6.79 Cooke No. 1 Shaft	Quarter ended 30.6.79 Cooke No. 2 Shaft	Quarter ended 31.3.79 Cooke No. 1 Shaft	Quarter ended 31.3.79 Cooke No. 2 Shaft
Sampled — metres	609	1 515	729	1 112
Channel width — centimetres	182	160	182	151
Gold				
Av. value — grams per ton	13,2	4,2	11.5	4.0
— centimetre grams per ton	2 402	672	2 093	604
Uranium				
Av. value — kilograms per ton	0,192	0,347	0,201	0.364
— centimetre kilograms per ton	34,94	55,52	36,58	54.96

Notes:
(1) *There was no development on the E8 reef at the Cooke No. 2 Shaft during the quarter.*
(2) The values shown in the above tabulations are the actual results of sampling development work on reef. No allowance has been made for modifications which may be necessary when computing ore reserves.

PRODUCTION

As had been previously predicted gold production declined, despite the increase in tonnage milled, as a result of the greater throughput of ore, of lower gold content, from the Randfontein Section. Uranium production showed a corresponding increase due to the greater uranium content of this ore.

Tonnage hoisted at all the shafts was affected by the "go-slow" operations of winding engine drivers, members of the South African Technical Officials Association, during a 3 week period in May and early June. Their action not only reduced the total tonnage milled for the quarter at Cooke plant, but also affected the morale of underground workers due to shift hoisting delays. The Millsite plants continued to operate at full-capacity on ore drawn from Randfontein Section and the Millsite stockpile.

The increased proportion of Randfontein Section ore milled, together with overtime worked in an endeavour to maintain production at Cooke Section, resulted in significantly higher working costs in June.

Randfontein Estates continued

GOLD AND URANIUM RECOVERY

Recoveries of both gold and uranium at the Millsite Plants continued at an acceptable level during the quarter. Gold recovery at Cooke Plant improved and is now approaching design expectations. There has also been an increase in uranium production at the Cooke Plant, but nevertheless remains well below planned levels. This improvement is expected to continue, as a result of further increase in both throughput and recovery efficiencies.

DIVIDENDS

Dividend No. 85 of 250 cents per share was declared on 14 June 1979, payable to members registered at the close of business on Friday, 29 June 1979.

CAPITAL EXPENDITURE

Net expenditure on mining assets during the quarter amounted to R3 774 000 bringing the total net capital expenditure to 30 June 1979 to R292 564 000. This total includes expenditure at Cooke Section amounting to R235 973 000.
At 30 June 1979 there were capital commitments amounting to R3 900 000.

For and on behalf of the Board,
B. A. SMITH
F. J. L. WELLS *Directors*

Western Areas

Western Areas Gold Mining Company Limited
Issued capital: R40 306 950
(*Divided into 40 306 950 units of stock of R1 each*)

OPERATING RESULTS

	Quarter ended 30.6.79	31.3.79	Six months ended 30.6.79
Gold			
Ore milled — tons	1 110 000	1 083 000	2 193 000
Kilograms produced	5 994	5 956	11 950
Yield — grams per ton	5,4	5,5	5,45
Revenue — per ton milled	R38,44	R36,26	R37,36
Working costs — per ton milled	R26,76	R26,21	R26,50
Profit — per ton milled	R11,68	R10,05	R10,86

FINANCIAL RESULTS (R000)

	Quarter ended 30.6.79	31.3.79	Six months ended 30.6.79
Revenue from gold	42 663	39 268	81 931
Working costs	29 702	28 422	58 124
Profit from gold	12 961	10 846	23 807
Net sundry revenue	24	202	226
Operating profit	12 985	11 048	24 033
Net interest receivable	436	402	838
Profit before taxation	13 421	11 450	24 871
Taxation	5 374	2 800	8 174
Profit	R8 047	R8 650	R16 697
Capital expenditure	R4 502	R3 072	R7 574
Loan levy	440	150	590
Dividends declared	4 837		4 837

Note: Taxation includes State's share of profits.

DEVELOPMENT

A total of 14 238 metres (10 706 metres) was advanced during the quarter. Included in the above is Middle Elsburg development amounting to 2 826 metres (2 270 metres).

SAMPLING RESULTS:
VENTERSDORP CONTACT REEF AND UPPER ELSBURG REEFS

	Quarter ended 30.6.79 Total All Reefs	Quarter ended 30.6.79 Ventersdorp Contact Reef	Quarter ended 30.6.79 Elsburg Massive Reefs	Quarter ended 30.6.79 Elsburg Individual Reefs	Quarter ended 31.3.79 Total All Reefs	Quarter ended 31.3.79 Ventersdorp Contact Reef	Quarter ended 31.3.79 Elsburg Massive Reefs	Quarter ended 31.3.79 Elsburg Individual Reefs
Sampled — metres	1 725	213	606	906	1 065	99	387	579
Channel Width — centimetres	202	128	222	206	205	132	219	207
Av. Value — grams per ton	7,0	6,8	7,6	6,6	7.5	5,9	8,9	6,8
— centimetre grams per ton	1 414	870	1 687	1 360	1 538	779	1 949	1 408

MIDDLE ELSBURG REEFS

	Quarter ended 30.6.79	31.3.79
Sampled — metres	291	177
Channel width — centimetres	129	129
Gold		
Av. value — grams per ton	1,5	1.3
— centimetre grams per ton	194	168
Uranium		
Av. value — kilograms per ton	0,47	0,54
— centimetre kilograms per ton	60,63	69,66

The values shown in the tabulations are the actual results of *sampling development work on reef*. No allowance has been made for modifications which may be necessary when computing ore reserves.

Western Areas continued

EXPLORATION

Exploratory drilling from underground to ascertain the potential of the Middle Elsburg Reefs continued during the quarter with the following results:

Reef Horizon	Borehole	Channel width cm	Gold g/t	Gold cm.g/t	Uranium kg/t	Uranium cm.kg/t
UE 1 A	80 Level					
	No. 1	139	0.7	91.0	0,07	9,10
E 9 E/C	41 Level					
	No. 4	285	3.0	855.0	0,94	267,90
	48 Level					
	No. 15	88	Trace	—	0,10	8,80
	No. 16	140	Trace	—	0,07	9,80
	No. 17	93	Trace	—	0,35	32,55
	50 Level					
	No. 18	80	1.0	80.0	0,44	35,20
	No. 19	114	Trace	—	0,16	18,24
	No. 20	108	Trace	—	0,12	12,96
	No. 21	121	Trace	—	0,26	31,46
	No. 22	386	0,9	347,4	0,51	196,86
	80 Level					
	No. 1	145	Trace	—	0,03	4,35
E 9	48 Level					
	No. 15	99	11,8	1 168,2	1,15	113,85
	No. 16	154	5,6	862,4	0,96	147,84
	No. 17	101	3,8	383,8	0,87	87,87
	50 Level					
	No. 18	118	1,2	141,6	0,62	73,16
	No. 19	177	0,9	159,3	0,44	77,88
	No. 20	152	1.4	212,8	0,36	54,72
	No. 21	165	2,3	379,5	0,63	103,95

SUB-VERTICAL SHAFTS

The excavations of the S.V.3 hoist chamber on 48 level and of the S.V.4E hoist chamber on 50 level are progressing according to schedule.

DIVIDENDS

Dividend No. 28 of 12c per unit of stock was declared on 14 June 1979 payable to members registered at the close of business on Friday 29 June 1979.

CAPITAL EXPENDITURE

Net expenditure on mining assets during the quarter amounted to R4 492 000 with other capital expenditure during the quarter amounting to R450 000 bringing the total net expenditure on capital account at 30 June 1979 to R252 839 000.
At 30 June 1979 there were capital commitments amounting to R4 414 000.

For and on behalf of the Board,
F. J. WELLS
D. H. STEVENSON *Directors*

Elsburg

Elsburg Gold Mining Company Limited
Issued Capital: R30 203 000
(*Divided into 30 203 000 units of stock of R1 each*)

RESULTS FOR THE QUARTER ENDED 30.6.79

Stockholders are advised to study the operational results published by Western Areas Gold Mining Company Limited.

	Quarter ended 30.6.79	31.3.79	Six months ended 30.6.79
DIVIDEND DECLARED (R000)	R2 356	Nil	R2 356

For and on behalf of the board
F. J. L. WELLS
D. H. STEVENSON *Directors*

17 July 1979
Johannesburg Consolidated Investment Company, Limited
Consolidated Building, Fox and Harrison Streets,
Johannesburg 2001
P.O. Box 590, Johannesburg 2000

Copies of the above reports are obtainable from the London Secretaries:

Barnato Brothers Limited.
99 Bishopsgate London EC2M 3XE.

U.S. manufactured goods exports to USSR rise

BY DAVID SATTER IN MOSCOW

U.S. MANUFACTURED goods exports to the USSR rose 58 per cent in the first four months of this year and there are signs that a significant expansion of trade is under way.

This is in spite of recent Soviet statements predicting a steady decline in imports of U.S. manufactures.

Figures released by the U.S. Embassy show that U.S. non-agricultural goods exports had a value of $239m during the first third of this year compared with only $151m at the same point last year.

The increase is believed to reflect a large number of orders at the end of 1978 for oil and gas equipment and agricultural machinery and comes as the Soviets are making massive grain purchases which will boost the figures later in the year.

The U.S. Department of Agriculture predicted last year that the Soviets would import no more than 10m tonnes of grain in 1979 but the need to have sufficient grain to feed livestock and the low quality of some of the grain harvested last year have pushed up grain imports which are now expected to reach 15m tonnes.

The heaviest grain importing months so far this year have been May, June and July, so although the four months figures show a 16 per cent drop in U.S. agricultural exports, this is expected to be more than made up for by the impact of the latest purchases.

U.S.-Soviet trade turnover fell 12 per cent during the first four months of 1979, declining from a value of $1bn last year to a value of $966m in the first four months of 1979.

It is expected, however, that U.S. manufactured goods exports will remain strong for the rest of the year, increasing overall by about 20 per cent and that agricultural exports will surpass last year's level pushing trade up to its highest level ever and manufactured goods exports to their best level since 1976.

U.S. imports of Soviet goods, which traditionally play only a minor role in U.S.-Soviet trade, fell 52 per cent during the first four months of this year from a value of $202m for the equivalent period last year to a value of $96m.

U.S. manufactured goods exports had a value of $563m last year, down slightly from the 1977 total of $587m in 1976, the U.S. exported manufactured goods with a value of $819m.

U.S. businessmen said the increase this year in exports of manufactured goods was probably attributable to the inability of the Soviets to find reasonable alternatives to some types of U.S. equipment despite their desire not to buy from the U.S. as long as restrictive legislation like the Jackson-Vanik amendment is on the books.

China abandons plan to buy French nuclear power plants

BY DAVID WHITE IN PARIS

CHINA has decided not to go ahead with the purchase of two French nuclear reactors, presenting the second major setback for France in this sector this year, after the shelving of another twin-reactor project in Iran.

News of the Chinese decision came during a visit to Peking by M. Andre Giraud, French Industry Minister. China's Deputy Foreign Trade Minister Lui Qun told businessmen accompanying the Minister that the planned deal, worth some FFr 10bn (£1.05bn), had been cancelled, principally because of revisions in Chinese economic targets.

The two 900 MW Westinghouse-licence reactors, which would have been supplied by Framatome, nuclear subsidiary of the Creusot-Loire engineering group, were the main specific items in a FFr 60bn trade package agreed at the end of last year between the two countries.

In Iran, a French consortium had started construction work on the site of two planned nuclear reactors at the time the Shah's regime was overthrown. This contract is now counted as lost, as is a further deal which was to involve four larger French reactors.

France began negotiations for the nuclear reactors early last year, and the deal received approval from Cocom, the Western vetting body for exports to Communist countries, in December.

In May this year, France granted China a FFr 30bn credit line for the purchase of French capital goods, covering half of the proposed seven-year co-operation package.

Involving 18 French banks, including the State foreign trade institution Banque Francaise du Commerce Exterieur, it was the largest buyer's credit France had ever arranged. Under the co-operation agreement, China was to give France preference for 11 projects other than the nuclear deal.

The projects included extension of a large steel complex, a hydro electric power station construction plant and an integrated aluminium project. It is hoped that this week's talks in Peking will establish the basis for co-operation in computers and other areas of electronics.

Japan likely to aid Saudi projects in return for oil

BY JAMES BUCHAN IN JEDDAH

THE JAPANESE Minister of International Trade and Industry, Mr. Masumi Esaki, left Jeddah yesterday after talks with officials on Japanese participation in Saudi industrial projects in return for guaranteed supplies of oil.

Japan is wholly dependent on imported oil and took 30 per cent of its import total of 4.5 MBD from Saudi Arabia last year.

Reports in Japan before the visit suggested that Mr. Esaki might be seeking a government-to-government contract for 250,000 BD similar to long-term contracts signed between the Saudi state oil organisation Petromin and Hispanoil of Spain (100,000 BD) and ENI of Italy (150,000 BD).

However, Mr. Esaki met no Saudi oil officials and Japanese spokesmen insisted that MITI did not intend to assume the role of the Japanese private sector in oil supplies.

Instead, Mr. Esaki held talks with the Saudi planning minister, Sheikh Hisahm Nazer, on Japanese private sector investment in a petrochemical complex and methanol plant Saudi Arabia plans to set up in joint venture on its Gulf coast.

These projects, along with eight other planned industrial joint ventures, carry entitlements to Saudi crude as an incentive to the foreign partners—according to a formula reported to match 1,000 b/d for every $1m invested.

The petrochemicals scheme, now priced at $1.6bn would apparently carry entitlements of 160,000 b/d for Mitsubishi and other Japanese companies which are studying the project.

If the projects go ahead, which now looks likely under MITI pressure, Saudi crude supplies in excess of 257,000 b/d may be involved. After a gloomy feasibility study on the petrochemicals plant in 1976, MITI stepped in last year to persuade Mitsubishi to continue negotiations and has offered to pick up half the Japanese side's equity obligation. An agreement on the methanol plant, which also involves Mitsubishi, is now expected by November.

Mr. Esaki, who was in Saudi Arabia to explain the decisions of the Tokyo Summit, said that the response of Saudi officials to the Tokyo oil conservation measures and import quotas was favourable although "Saudi Arabia expects much more rigorous steps."

Indonesia expected to sell gas to U.S.

BY OUR JAKARTA CORRESPONDENT

PERTAMINA, Indonesia's state oil company, has expressed confidence that the sale of liquified natural gas to the West Coast of the U.S. is now likely to go ahead following an agreement by California to allow a receiving terminal to be built.

Federal Government approval, however, is still required by the U.S. before the shipment of LNG from the Arun field in North Sumatra is allowed to go ahead.

General Piet Haryono, Pertamina's director, made the statement after talks with the Pacific Lighting Corporation and the Southern California Gas Company, which would undertake the building project. The terminal would have a capacity of 4.5m tons, and construction would start soon after an endorsement was received, probably within two to three months. General Haryono said.

Polish machinery curbs likely to affect imports

BY CHRISTOPHER BOBINSKI IN WARSAW

POLISH authorities are undertaking steps to bring more discipline into the management of the national economy through better use of such imports as machinery.

The economy is faced with a $15bn hard currency debt to service, and last year recorded a $1.7bn hard currency trade deficit.

Now a scheme is being prepared at the Polish Ministry of Finance and at the Foreign Trade Ministry under which importers who order and take delivery of Western machines and equipment and then fail to install them within a reasonable period will be hit by a system of hard currency fines.

The scheme, to be introduced by the end of the year, will affect Western companies who will find it more difficult than ever to place such goods in Poland.

The problem of uninstalled machinery arises as a result of construction delays on site, which means that equipment that is delivered on time cannot be installed. Other reasons cited are bad planning, and the placement by ambitious managers of machinery orders, which are then used as a lever for gaining approval for the construction of new factory space.

Until now, the problem has been dealt with through the imposition of penalties in the soft currency zloty, but this has not solved the problem in view of the fact that inventories of domestic and foreign-made machine goods are not falling as fast as the rate of investment.

Under the terms of this new scheme, hard currency penalties are to run from 12 to 20 per cent of the value of the machinery found to be standing idle, depending on the length of time it has been unused.

According to Mr. Stanislaw Majewski, the deputy chairman of the Polish National Bank, the aim of the scheme is to "cut down on hasty investment decisions."

In effect, what the scheme will do is make ministries think twice before they spend money on equipment and check if the companies applying for import licences will be able to install their goods. If it turns out that they cannot then the "right to import," as Mr. Majewski calls it, will be limited in the coming year.

Japanese refineries form body to seek Mexican oil

TOKYO — Twelve Japanese refineries affiliated with international oil companies have formed a joint council to seek pro-rata allocations of Mexican oil to be imported on a Government basis from 1980, the Nippon Oil Company has announced.

The Caltex-affiliated refinery said the step was undertaken to match a similar body formed earlier by 14 Japanese refineries not affiliated with international companies.

Under an agreement signed this month Japan will probably import between 100,000 and 200,000 barrels of Mexican oil daily, the company said.

The pro-rata import allocation system is applied to Japanese imports of Chinese oil and a certain type of oil produced by the Arabian Oil Company of Japan in a neutral zone between Saudi Arabia and Kuwait.

The 12 Japanese refineries are Toa Nenryo Kogyo, Nichimo Sekiyu Seisei, Kyokuto Sekiyu Kogyo, Showa Oil, Showa Yokkaichi Oil, Seibu Oil, General Sekiyu, Nansei Oil, Nippon Petroleum Refining, Nippon Oil, Koa Oil, and Nihonai Oil.

Reuter

MEXICO'S TEQUILA BOOM

Not as famous as oil but still a good drop

BY WILLIAM CHISLETT, RECENTLY IN TEQUILA, MEXICO

IN THIS quaint old village in central Mexico, which has given its name to the country's national drink, vigorous efforts are being made to increase exports of Tequila so that in a small but significant way it can play a role in the Government's determination that Mexico be known as more than just an oil exporting country.

Tequila is not gushing out of the ground in the way that oil is from wells in the southern fields. But, judging by the thousands of acres of land around the village which produce the blue agave cactus plant—the raw material that goes into Tequila—the industry is booming.

Exports of Tequila were worth $20m (£8.9m) last year, and most came from this village, not far from Guadalajara, the country's second largest metropolis.

According to legend, an Indian woman called Mayahuetl carved herself a place in the ancient myths of the Aztec nation by her love for the prickly agave.

Needles for sewing were made from the plant's thorns, clothes from its rough fibres, paper from its pulp and "honeywater" from the heart of the plant. It was Mayahuetl who first offered the drink to the Emperor Montezuma.

The honeywater of her day is now Tequila, but the State of Jalisco is the only place in the world where the agave grows in abundance, though there have been successful experiments at growing it in the State of Tamaulipas.

U.S. influence has led to the popularisation of Tequila-based drinks, such as the margarita, a mixture of ice, lemon and Tequila, served in a glass rimmed with salt.

Traditionally Tequila is drunk with a few drops of lemon followed by a taste of salt licked from the back of the hand, but the margarita, created in 1957, succeeded in enabling Americans to by-pass this somewhat messy method of drinking the gin-like alcohol.

The company that produced Tequila for the first margarita was Jose Cuervo. Established in 1795, it is the market leader, having established bottling plants in the U.S., New Zealand, El Salvador and Switzerland.

This year Cuervo's exports of 9.4m litres will be worth almost $9m, compared with 7.2m litres last year at a value of $5m. Ten years ago Tequila exports from Mexico were 3.5m litres.

As a whole the industry exports some 25m litres, about 40 per cent of its entire production. Some 90 per cent of this goes to the huge U.S. market.

The British market, however, was small, with only 120,000 litres of Cuervo's brand name being imported in 1978.

But, generally, the export market is seen as having enormous potential, with Cuervo running an extensive advertising campaign in the U.S. In fact, the Mexican Government earlier this year succeeded in registering the name of Tequila with the Organisation of Patents in Geneva as a safeguard against misuse of the Tequila name by other countries.

The various manufacturers in and around the village of Tequila are planting some 15m new agave plants this year, which will add 15 per cent to the harvestable crop of 100m plants. One impediment has been the slow maturity of the agave, which needs about 10 years before becoming ready for harvest, but experts are predicting that experiments with cultivation and fertilisers will probably cut its maturation time to eight years.

Radiation scare men 'not serious'

By David Fishlock, Science Editor

NONE OF eight men contaminated with radiation during the fire which broke out in the Windscale plant reprocessing spent nuclear fuel from Britain's magnox reactors was seriously affected.

Whole-body radiation checks on the eight show that the man worst affected has received a dose of 0.3 rem from the incident.

Radiation workers are not permitted to receive more than 5 rems a year and remain at their work.

The fire occurred on Wednesday in a thick-walled concrete "cave" where hydraulic machinery peels the magnesium fuel can from the rods of uranium fuel.

A fuel element had apparently jammed in the machine and was being dislodged by remote control by the operator, using what Cumbrians call a "persuader."

The likeliest cause of the fire seems to have been a spark struck in the presence of magnesium and uranium—both metals which catch fire fairly readily.

Confined

British Nuclear Fuels said last night that the fire and its damage had been confined to the cave—about the size of a small room—and the fire had been put out by operators working with the Windscale factory fire brigade.

Mr. Con Allday, managing director of British Nuclear Fuels, said last night that the clean-up following the fire had gone well. "As a result we expect to be operating again during the next few days."

About 50 people were working in the vicinity, but only eight showed any signs of radiation contamination. People working in four adjacent buildings, some of which were employees of the UK Atomic Energy Authority and of sub-contractors, were evacuated during the fire, and checked for radiation.

The total amount of radiation released is estimated to be less than 1 curie, predominantly of caesium, one of the fission products which occur in spent nuclear fuel. Radiation tests outside the factory fence indicated no hazard to the public, the company said last night.

British Nuclear Fuels has been reprocessing magnox fuel in recent months at the rate of about 30 tonnes a week—faster than it has been flowing through the Windscale plant for some years. Although the decanning operation had not been restarted yesterday, the chemical processing plant itself was still operating.

P & O agrees sale of gas carrier for £6.7m

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

The Peninsular and Oriental Steam Navigation Company has sold one of its older gas ships for about $15m (£6.7m).

P and O is, however, holding back on further disengagement from the gas carrier business because of rising freight rates and ship values.

The Garmula, a seven-year-old gas tanker with a capacity of 52,000 cubic metres, has been bought by Mundogas, a trading organisation in which P and O has a 43 per cent stake.

P and O has been trying for well over a year to reduce the size of its ten-strong gas ship fleet, which was one of the main causes of the slump in the company's profits in 1978.

But the rapid increase in crude oil prices this year has stimulated trade in liquid petroleum gas.

Charter rates for a vessel like the Garmula are running at $500,000 a month, compared with $300,000 per month at the beginning of the year.

This has led to pressure within P and O for a rethink of the disposal policy, although it remains likely that the company will sell one of its four new gas ships, which cost around £30m each to build.

The company is in the position to hold back in the hope of getting a price for the new gas carriers closer to their book value.

Two unused French-built gas carriers of similar design to P & O's ships are reported to be close to a sale to Mexican interests for about $50m each.

Negotiations are continuing for the sale of P & O's energy interests in North America, following the sale of the company's stake in the North Sea Beatrice oilfield.

Bids are also still being considered for the company's North Sea supply base at Montrose, although no early conclusion is expected.

Second £6m Boeing Jetfoil to be ordered for Ostend service

BY LYNTON McLAIN

P & O FERRIES is to go ahead with plans to order a second £6m Boeing Jetfoil for its proposed route between London and Ostend, Belgium.

The company's trials on the London to Zeebrugge, Belgium, route with the Flying Princess Jetfoil owned by Boeing stopped in September after poor results.

The craft is to be used at minimal rent by Jetlink Ferries, part-owned by Associated Newspapers, for an extra service on its Brighton to Dieppe route, starting on Friday. Boeing offered it as a "goodwill gesture" after Jetlink's own Jetfoil broke down briefly in May with a component failure, only a month after starting operations.

P & O Ferries' first replacement Jetfoil is waiting at Boeing's Seattle plant in the U.S. It is expected to be delivered after terminals in London and Ostend are finished in late autumn.

week's notice of their intentions.

Mr. Michael Longhurst, P & O Ferries sales manager, said yesterday that there were still "minor problems with the lease" for the proposed site at the British and Foreign Wharf, east of Tower Bridge on the Thames.

"However, it is our intention to take delivery of our second Jetfoil next spring," he said.

The company will then have started its service to Belgium, with a £27.50 single fare between London and Ostend. A day return will cost £34.40.

● Jetlink Ferries is offering single fares from London to Paris, through Brighton and Dieppe until October 27. The six-hour service includes a London to Brighton bus journey and a chartered train from Dieppe to Paris, after British Rail, which offers a competing hovercraft service, refused to give the company special rail rates.

● The first Boeing Jetfoil for the Royal Navy has been finished in Seattle and will be delivered in September for final fitting out at the Vosper yard, Southampton. The craft will be handed over for trials on offshore patrol work in April.

Court will review tax raid on Rossminster premises

BY DAVID FREUD

THE INLAND Revenue's search of premises connected with the Rossminster group of companies on the grounds of suspected tax fraud will be reviewed by three High Court judges later this month.

The Rossminster group, together with three other plaintiffs, succeeded in its High Court application yesterday for a judicial review.

The judges will consider whether Revenue officials acted within their warrant in the way they seized documents last Friday from the premises.

Mr. Andrew Bateson, QC, for Rossminster, yesterday argued that the Revenue had "ransacked" the premises, taking all kinds of seemingly irrelevant documents, including children's cheque books.

Section 20C of the Taxes Management Act, under which the warrant was taken out, states that the officer may take those things "which he has reasonable cause to believe may be required as evidence for the purposes of proceedings" connected with tax fraud.

"You can't reasonably believe documents in fact relate to a criminal offence if you don't even look at them," said Mr. Bateson.

Along with Rossminster, the plaintiffs are A.J.R. Financial Services, which operates from the next-door building to Rossminster's in London's Mayfair, Mr. Ronald Plummer, a Rossminster director, and Mr. Roy Tucker, an independent tax consultant.

Friday's searches covered the offices of the two companies and the homes of Mr. Plummer and Mr. Tucker, as well as those of three other individuals connected, or formerly connected, with the group. One of them is Mr. Tom Benyon, the new Tory MP for Abingdon.

The Rossminster group of companies has provided banking and financial services in the past for tax avoidance schemes marketed by Mr. Tucker.

Mr. Bateson said in court yesterday that the group's business had "been very gravely adversely affected" by the seizure of documents. There had already been withdrawals of £2m, with £490,000 going yesterday alone.

Later, Mr. Anthony Cannon, a Rossminster director, said the group was at present very liquid and could repay every deposit if required to do so.

Tax on traded options 'will be reviewed'

BY JAMES BARTHOLOMEW

MR. PETER REES, Minister of State at the Treasury, has said that the tax treatment of traded options will be included in the review of capital taxes announced in the June budget, the Stock Exchange announced yesterday.

Traded options give a buyer the right to buy a given number of shares at pre-determined prices. There is a market in traded options whereas ordinary options are normally held until they are exercised or expire.

The London traded options market has had difficulty establishing itself since it was started 18 months ago, largely because of harsh tax treatment.

Options are treated as wasting assets for tax purposes. This means that the purchase cost of an option may be considered as practically nothing if the option is held until near its expiry date.

So, although it may be sold at the same price it was bought, the Inland Revenue can deem that the buying cost was lower and therefore charge Capital Gains Tax.

The Stock Exchange has always thought that a Conservative Government was more likely to look kindly on reform of the tax on traded options than a Labour one.

But it recognised that the subject would not be on the top of any Government's agenda. The Government commitment to include traded options in their review is thus an important step forward for the market.

"The market is unlikely to develop satisfactorily unless the present illogical tax treatment is changed," said Mr. Nicholas Goodison, chairman of the Stock Exchange, yesterday.

"Another risk, and in my view a very serious one, is that tax might drive a market for which there is a genuine demand out of the country," he added.

So far, the only rival to the London traded options market has been the European Options Exchange which quotes options on shares from several European countries and the U.S. But the exchange's business in UK options has been completely unsuccessful because of the London market's refusal to supply up-to-the-minute prices on the underlying shares.

Aveling Barford founder dies

Mr. Edward Barford, founder of the construction equipment company, Aveling Barford, has died aged 81.

Mr. Barford was chairman and managing director of the company from its inception in 1933 until its takeover in 1967 by Leyland Motor Corporation. His business career began in 1922 with Agricultural and General Engineers, a group of 12 family engineering businesses into which Mr. Barford's family firm, Barford and Perkins, had been merged. When a receiver was appointed in 1932, Mr. Barford merged Barford and Perkins with Aveling and Porter, a steam roller company. He continued to play an active role in Aveling Barford after his retirement in 1967. He was a former Lloyd's underwriter.

He leaves a wife, two sons and two daughters. A private funeral will be held tomorrow.

Car toll plan for London dismissed

By Ian Hargreaves, Transport Correspondent

SIR HORACE CUTLER, leader of the Greater London Council, yesterday dismissed a revived plan to charge motorists tolls as they enter central London.

He said the plan, devised by a working group involving officials from the council and the Department of Transport, was "unfair and impracticable."

"It will not be considered again by the present administration other than in the most exceptional circumstances."

Only a day earlier, a council official had spoken of the plan going before a GLC committee this autumn.

Sir Horace said his office would continue to keep the council informed about traffic cordon schemes in foreign cities.

The cordon idea, which would have involved a 50p per trip payment for motorists entering a central area of four square miles, has been raised several times by transport planners, but has always been strongly resisted by politicians.

Carpet imports expected to take record share of market

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE CARPETS industry expects imports this year to take a record 18 per cent of the domestic market, with U.S. and Continental manufacturers taking advantage of buoyant market conditions and the strength of the pound.

The industry is also experiencing much tougher conditions in its export markets. Sales in the first half of the year were down 12 per cent by value, following last year's decrease in total overseas sales from £140m to £127m.

The industry has traditionally supplied well over 90 per cent of UK home market demand, but with the benefit of low oil feedstock prices U.S. producers have become much more competitive in world markets. Sales of American carpet in the UK this year are expected to rise to around 5m sq metres, worth around £20m, compared with sales last year of about 1.25m sq metres.

Belgium has also greatly increased its carpet exports to the UK and other markets and is expected this year to overtake Britain as the biggest carpet producer in Europe. Last year the Belgians produced 174m sq metres of carpet and exported 155m sq metres, compared with UK production of 178m sq metres and exports of only 37m sq metres.

The industry has so far reacted to the rise in U.S. exports by asking the EEC Commission to examine whether or not countervailing duties should be imposed on U.S. goods on the grounds that American manufacturers are enjoying an unfair advantage in raw material costs. The British industry claims costs for yarns in the U.S. can be as much as 25 per cent less than in the UK because of lower oil costs. UK groups are also prepared to admit, however, that the American industry took advantage last year of a fashion demand in the UK for carpets of a type not then available from British mills. Many UK groups have since geared up to produce these carpets.

British carpet groups have also been hampered by the sudden rise in the pound, which has made necessary a substantial change in the industry's overall strategy. UK manufacturers had been expecting to use a relatively cheap pound to establish themselves as the main suppliers across Europe of medium quality low-priced carpeting—a role the Belgians are assuming.

Speaking yesterday after publication of the British Carpet Manufacturers Association annual report, Mr. Michael Abrahams, the president, said there was an urgent need to concentrate on up-market products. "If we are to export against a background of a strong currency we will have to do so with quality goods made at low cost and adequately backed by service," he said.

Mr. Abrahams said that to regain competitiveness at home and abroad the industry would have to improve its productivity. The industry's labour force has already declined from 41,000 in 1974 to about 32,000 last year, and a further 1,000 jobs have been lost as a result of rationalisation programmes and closures announced over the past two months. Some manufacturers concede, however, that manning in some British mills is as much as twice that of comparable installations on the Continent.

The industry has recently set up informal machinery, jointly with the trade unions and Government, to provide a forum to discuss these problems.

More emphasis is to be placed on marketing, though proposals earlier this year for generic advertising for carpets as a whole eventually failed to gain industry-wide support. A number of groups are trying, however, to promote increased brand awareness.

In spite of the downturn in export volume, the industry expects that total output will be close to last year's level. Sales were down in the early months of the year as a result of the haulage strike in January and the cold weather. Some recovery has since taken place due to the consumer boom immediately preceding the VAT increases.

Halt to recovery in building materials

By Andrew Taylor

THE SLOW recovery in building material sales over the past 18 months halted in May, according to figures yesterday from the Builders Merchants' Federation.

Sales of building materials fell by 2.1 per cent, according to the federation, which represents 95 per cent of UK builders' merchants.

Turnover fell this year, but the drop in January was almost entirely because bad weather halted large areas of construction activity during December and January.

Since then, sales had recovered, although Mr. Reg Williams, director of the federation, said that signs in recent months indicated that the general rate of recovery was slowing.

"The May figures were particularly disturbing, as we could not blame the reduction on bad weather or a lorry drivers' strike, which clearly affected figures in previous months," Mr. Williams said.

Last week figures from the Department of the Environment disclosed a 7 per cent drop in construction output in the first three months of this year, compared with the previous quarter.

Builders' merchants rely on private house builders for much of their trade. Housing starts in May were 19,400, compared with 24,000 in that month last year.

"New orders for housing are substantially lower and a similar picture is apparent in local authority renovations," he said.

The turnover drop in May follows a 1.7 per cent rise in April and a 6 per cent rise in March over those months last year. Nevertheless, sales had risen by 7.3 per cent in the 12 months to the end of May.

Mr. Williams said that increased activity in home improvement and refurbishment had provided a strong base for the recovery over the past 18 months.

Scruton criticised over collapse of Burnholme

BY CHRISTINE MOIR

MR. LEONARD SCRUTON and his associates, who wrested control of Burnholme and Forder with the intention of rejuvenating it in 1971, did not act in "the best interests of the company as a whole or of the other shareholders," according to a Department of Trade report published yesterday.

Mr. Scruton is described as the central figure in the transformation and final collapse of Burnholme, once a small under-capitalised group of transport companies.

He must bear most responsibility for events, the inspectors say, but Mr. C. Trup and Mr. T. L. R. Holland, two other directors, were also involved, as was Mr. John Edenborough, the group's property adviser and an undischarged bankrupt.

The report covers the period 1971 and 1974. The Treasury is seeking to interview Mr. Scruton, Mr. Edenborough and Mr. Frederick Sandhouse, a London solicitor associated with Burnholme, in connection with alleged breaches of exchange control regulations. All three are the subject of Treasury notices forbidding any currency or Stock Exchange dealings on their behalf.

Intended

The report describes a series of property and takeover transactions "which could only have been exploited through a public company" in which, the inspectors believe, the men did not act in the best interests of other shareholders.

In at least one case—a property development deal in Bathgate—it "was clearly intended that any profit should go to Beechmount (the private Jersey-based company owned by Mr. Scruton and his associates) despite the fact that it could not have been processed without the involvement of Burnholme."

The company's affairs became complicated. During one period in which more than 80 transactions took place, including the purchase of a major stake in Brayhead, also the subject of investigation and also now in liquidation, about 11 profit forecasts were issued.

The auditors involved, Coopers and Lybrand, Fuller Jens Beecroft and Josolyne Layton-Bennett, "did their best to cope with a difficult situation."

The inspectors found no grounds for criticising the first two though they do believe that Josolyne Layton-Bennett ought to have put more effort into testing the profit estimates on one occasion.

The directors, however, are castigated for wildly over-optimistic forecasts and for the fact that they devoted their energies "to wheeling and dealing" at the expense "of realising profit goals."

As in so many recent reports, the inspectors deplore the ease with which individuals can avoid the provisions of Section 54 of the Companies Act (which prohibits company money being used for the purchase of its own shares) and the risible level of the fine if a breach is proven.

They also question the wisdom of auditors "first compiling and then reporting upon a profit forecast" because it "may impair their ability to view the forecast objectively and must endanger" their independence.

Rapid growth of finance in Isle of Man

THE BIGGEST single contributor to the Isle of Man's income is the finance sector, according to the island's Treasury Department.

The department states in the Digest of Economic and Social Statistics for 1979, that other significant income contributions arem ade by scientific services, construction and tourism.

Total income is running at £118.7m a year and personal incomes about £66m.

"The major developments within the island's economy in the 1970s have been the rapid growth of the finance sector and a ocnsequent relative eclipse of manufatcuring and tourism. There has also been a fairly significant growth in the importance of professional and scientific services," says the digest.

£9m profit expected at Thomas Cook

By Arthur Sandles

THOMAS COOK, the Midland Bank travel subsidiary, is heading for £9m profits this year, according to Mr. Tom Fisher, chief executive.

The rising value of sterling has reduced the £10m target but the company is well ahead of the £3.4m loss in 1974 when Mr. Fisher took over.

Mr. Fisher yesterday revealed a new deal with the Hertz car rental organisation giving Cook travel cheque carriers the ability to get refund assistance from Hertz offices internationally in the case of loss or theft. Some offices will give replacement cheques.

After-sales service is now an important area of competition in travel cheque sales, a field in which Cook is locked in international battle with American Express. The U.S. travel group already has a refund aid service with Avis.

Travel cheque sales are booming and Cook will probably end the year with sales approaching £2bn, although the total is difficult to predict. With sterling strong, Mr. Fisher said he was selling sterling cheques "as fast as I can print them."

Sales are up more than 40 per cent on last year. Dollar cheque sales are up by slightly less and other currency cheques by about 40 per cent.

The final Cook profit for the year will depend on the value of sterling over the next few weeks—the peak holiday season in the northern hemisphere. "If the pound goes to 2.50 against the dollar that will wipe another £500,000 off," he said.

M & S jam for Japan

DAIEI INC., Japan's largest retailer, has placed a trial order for Marks and Spencer jam, marmalade, biscuits and tea.

Marks and Spencer, which has successfully penetrated European markets, last year won an order to supply Daiei with textile goods. Sales of its clothes to Daiei are already running at more than £1m per year

Crown Agents 'ignored basic principles'

MR. LEONARD MATHER, former Midland Bank vice-chairman, said yesterday that the Crown Agents appeared to have ignored certain basic principles when they launched a banking business.

Mr. Mather told the Crown Agents tribunal: "In my view, when a non-banking organisation such as the Crown Agents starts a banking operation, it should do so through a separate corporate vehicle.

"Such a body would require a clear paid-up capital base and beyond that lines of credit from the proprietors who must be prepared to accept publicly the fact that they are lenders of last resort.

"The scale of business engaged upon must be in proportion to the size of the free capital. Though rules of thumb exist as to the ratio of free capital to the size of business in the last resort, the appropriate ratio will depend upon the nature of the business undertaken and the risks involved.

"In any event, tighter ratios are needed at the start of the banking business until some experience has been gained.

"Little thought appears to have been given at the outset to these basic principles although depositors obviously placed money with Crown Agents in the belief that their strength was undoubted."

Mr. Mather said that in the 1960s there were plenty of examples in the City of the establishment of new banks or consortia banks being formed to develop business similar to that planned by the Crown Agents and advice would have been readily available as to how to go about this.

Property

Undoubtedly, the better course would have been to form a banking subsidiary with sufficient capital to enable it to operate with confidence in the market. Depositors had a right to be satisfied that their deposits were safe, he added.

The tribunal is investigating Crown Agents' losses of more than £200m after its involvement with secondary banking and property.

The tribunal was set up to inquire "to what extent there were lapses from accepted standards of commercial or professional conduct or of public administration" in connection with the losses which occurred in 1967-74.

Mr. Mather went on: "If an organisation like the Crown Agents sets up subsidiaries, then as long as it has a major shareholding interest it will be in the position of lender of last resort towards such subsidiaries. It therefore follows that it must be sure that it has sufficient internal resources to cover such liabilities and should not rely on its money market resources. The City would expect this."

Without experienced staff and proper controls, it would be foolish to open a brand new bank. Crown Agents would have needed to attract staff from other banking organisations and would have had to be prepared to offer such persons appropriate salaries.

Crown Agents' experience in gilt-edged market trading and flotation of government loans would not constitute adequate experience for work in the money market or in the granting of commercial loans.

Mr. Mather added that the balance sheet figures of the Crown Agents "were completely out of date when produced and it is surprising that depositors were not asking to see audited figures long before the crash occurred.

"When produced, the accounts obviously showed over-trading, with, in 1971, current liabilities of £420m, against liquid assets of at most £240m. Apparently loan portfolios were far from well spread, whilst many investments were patently speculative," he said.

On the subject of Christmas and similar gifts, Mr. Mather said the general principle in the City was that they should not be accepted. But the custom of giving gifts, especially at Christmas, was recognised.

Whisky

"It would often be difficult and embarrassing to refuse gifts from old customers or associates where they appeared to have been given as genuine tokens of esteem and friendship," he said.

"The turkey from the farmer client or a bottle of whisky from a good customer can hardly be declined between friends. One would certainly raise one's eyebrows if offered a case of spirits.

"It would clearly be unwise to accept gifts from customers who were heavily indebted to a bank. It is just a question of common sense and sound friendly business relationship."

Independent oil groups hope for bigger offshore role

BY RAY DAFTER, ENERGY EDITOR

BRITISH INDEPENDENT oil companies expect to play a much bigger role in offshore exploration on the UK Continental Shelf.

The second-tier companies—groups like Burmah, Tricentrol and Cluff Oil—hope to be given a significant stake in the next round of offshore licences. And some are hoping that they will be given a chance to acquire at least part of the equity interests which may be removed from British National Oil Corporation by the Government, the London Oil Analysts Group was told yesterday.

Mr. Tony Fox, managing director of Tricentrol Oil Corporation, said that British independent oil companies found themselves in a "ludicrous" position. Once they held a leading position in the industry, controlling more than half the world's known oil reserves. Today, however, only a few British companies were willing or able to take the risk of exploring on their doorstep in one of the most exciting oil prospects in the world.

Mr. Fox said there were many oil and gas reservoirs to be discovered and exploited in UK waters although most of the fields would be small. What was needed was a spread of companies and "competition of geological thought."

"Let us manage the development taken out of private hands by BNOC. Let us put back into the British oil industry the spirit that made it the leader in Russia, in Romania, in Iran and Burma before the dead hand of the bureaucrat stifles yet another opportunity," Mr. Fox added.

The Energy Department is expected to start the allocation of a seventh round of offshore licences within the next few weeks. Ministers and officials have indicated that they are anxious to speed up exploration and hope a seventh round drilling might begin in 1981.

Mr. Roland Shaw, chairman and managing director of Premier Consolidated Oilfields, and chairman of the 26-member Association of British Independent Oil Exploration Companies (Brindex) said that the Government had indicated that prospects for British independents were "very good." He was confident that "small independents will provide much of the growth of the British oil industry."

Gas prices

However, the Department of Energy said last night that while the Government was always anxious to encourage smaller companies they would not be given specially favourable treatment in the next licensing round.

A number of speakers told the analysts that gas pricing policies were seriously jeopardising gas exploration and development in the southern sector of the North Sea. British Gas Corporation is reported to be paying on average between 40 and 60 cents per 1,000 cubic feet of gas for supplies from the southern fields.

Mr. Robert Fox, managing director of Oil Exploration (Holdings) said that to bring these gas supplies more in line with oil prices, the price should be nearer $2.50 per 1,000 cubic feet. This would encourage companies to do more work in the southern sector of the North Sea.

Mr. Robert Fox said he was "appalled" that the Government was not paying more attention to gas in the southern fields. British Gas was relying increasingly on supplies from northern fields—gas reservoirs and oil fields with a high gas content. If anything went wrong, British Gas would find itself in an exposed position.

Oil Exploration (Holdings) has a stake in the Phillips Group's Toni, Thelma and Tiffany finds on block 16/17. Mr. Robert Fox indicated that the three could be developed together, possibly within three to five years. During the initial stages of production the large amounts of gas contained in the *Toni and Thelma* reservoirs might be injected into the Tiffany field, which had a relatively low natural gas content. Later, a gas gathering system might be built to collect the natural gas from the three fields and other reservoirs in the area.

Dr. Colin Phipps, former Labour MP and a director of Clyde Petroleum, also criticised the gas pricing policies. "These are not only ridiculous in energy terms but they are actually destroying the coal industry."

He suggested formation of a Common Energy Policy within the EEC so that countries short of energy like France and Germany, could obtain secure oil and gas supplies from the North Sea at prices advantageous to the UK.

Backing

Dr. Phipps pointed out that the latest Energy Department "Brown Book" of offshore statistics showed there were over 40 discoveries awaiting development plans. Even if these discoveries contained only 25m barrels each—a conservative estimate—the total value to the British balance of payments of the unexploited finds would be worth over £10bn.

Some smaller, economically marginal fields could be developed with the backing of other EEC partners, he said.

Mr. Algy Cluff, managing director of Cluff Oil, said his company would be seeking a listing on the London Stock Exchange late this year. Cluff Oil, which had recently expanded its interests overseas, was still anxious to become a stronger UK group with a higher North Sea profile. The Buchan Field, operated by British Petroleum, was due to come on stream in mid-November, he added.

Racal moves into computer-based office systems

BY MAX WILKINSON

RACAL, the military electronics group, has announced its first big move into the computer-based office systems market.

It has set up a subsidiary, Racal Information Systems, and has acquired a small specialist company, Hyperon Consulting Engineers, to help apply microprocessor technology to the office market.

The company aims to develop a family of microprocessor-based products which will communicate with each other and with a central computer.

Capital

Racal paid £250,000 for 85 per cent of the share capital in Hyperon.

Racal is entering one of the sectors of the electronics industry which is predicted by most analysts to show rapid growth in the 1980s.

It will, however, face stiff competition from the multinationals including International Business Machines, ITT, Texas Instruments and Philips.

In Britain, the General Electric Company is preparing an assault on the market, and Plessey wants to develop its private digital telephone exchange as the heart of an office system.

The National Enterprise Board is also interested in the market. It has formed an office equipment development and marketing subsidiary called NEXOS to act as a co-ordinator of the efforts of a number of companies including Logica and several other systems companies.

Racal has diversified rapidly during the last few years from its base of two-way military radio equipment.

With its acquisition of Milgo in the U.S., particularly, it has built up a strong business in data communications equipment, which is likely to be closely related to the requirements of office systems.

New chairman

MRS. Angela Rumbold, Conservative Central Office worker, is the new chairman of the education committee of the Association of Metropolitan Authorities. Mrs. Rumbold is deputy leader of the London Borough of Kingston-upon-Thames.

Councils want £100 to process plans

BY LISA WOOD

CHARGES OF up to £100 should be made for planning applications, according to the Association of District Councils in a proposal to the Government.

Sir Duncan Lock, chairman of the association, said yesterday the charges would help to contain local government spending. The average cost to a local authority for a planning application is about £90 and district councils' development control services are estimated to cost about £50m a year.

The association said that £100 should be the average charge for a planning application. Minor applications, such as house extensions, would be charged about half. A sliding scale of charges could be made on the administering of building regulations. It would be based on the estimated cost of the works, but small applications would be exempt.

The proposals back up similar ideas put to the Government by the Association of County Councils earlier this month. They were a response to the Government's request to local authorities to prepare estimates on the effects of proposed expenditure cuts of between 2.5 per cent and 7.5 per cent.

Sir Duncan said he welcomed the fact that cuts in public expenditure were now being spread across the board and not just laid on the shoulders of local authorities. Local authorities had been cutting back on spending since 1975 and there was not a "great deal of fat still to cut." But all district councils could still make cuts.

He said there was no question of making local authority workers redundant as this would be too expensive in the long term. But there would certainly be a rundown in manpower. The association would not agree to put certain services out to contract—such as refuse collection—as it was dangerous for a local authority to contract out a statutory function.

Sir Duncan protested about the Government's cancellation of the 1982 rating re-evaluation. "This may be a pointer to what the Government is thinking about local authority finance. If it had been content to soldier on with the system, it is doubtful whether it would have cancelled the 1982 re-evaluation. It is strange, however, to take away the basis of the rating system without giving an alternative."

Consumer council warns on advice service cuts

BY OUR CONSUMER AFFAIRS CORRESPONDENT

ANY CUTS in local authority spending on consumer advice services will put an extra burden on the social services and housing departments, warns the National Consumer Council.

Mr. Michael Shanks, the council's chairman, says in a letter to Mrs. Sally Oppenheim, Consumer Affairs Minister, that it would be short-sighted if the Government-imposed cuts in public spending tempted local authorities to economise on the advice services.

Such a step could lead to ill-informed members of the public wanting advice and help from local authorities—which would lead to higher spending by those departments.

Mr. Shanks points out that the UK's local advice services cost about £14.5m annually, with only about £5m spent on general advice services — such as Citizens' Advice Bureaux—and the rest on specialist advice centres.

However, he believes that the bulk of the available finance should go to the general services giving advice to shoppers, with the specialist services becoming a back-up.

Art Nouveau bedroom suite sold for £24,450

SALEROOM

PAMELA JUDGE

A FRENCH Art Nouveau bedroom suite in beech wood and walnut, sold as seven separate items, was bought by Martins Forrest for £24,450 at Christie's in London yesterday. The most expensive piece was a dressing table at £8,000. The double bed fetched £3,000 and a triple cheval mirror £4,500.

The sale of Art Nouveau, Art Deco and studio pottery totalled £104,652. It included a Galle marqueterie-sur-verre vase at £6,000, a Galle cameo table lamp at £3,800 and a Tiffany bronze and stained glass "spider's web" three-light table lamp at £5,500.

English, foreign and ancient coins sold by the same house amounted to £26,243, and Old Masters and 19th century continental drawings £57,661.

Christie's South Kensington held a sale of embroidery, costume, textiles and fans which realised £36,388. A late 17th century English set of crewelwork hangings in brightly coloured wools—sold for £8,500; and a needlework casket of c. 1660 for £3,500. The Victoria and Albert Museum paid £1,000 for an early 17th century English needlework panel for a large cushion.

The first two days of the sale of the Jack Cole collection of books and pictures on the dance ended at Sotheby's yesterday with a total of £66,677. The second lot will be sold in November.

● NEWS ANALYSIS—JAMES BARTHOLOMEW AND WILLIAM HALL EXAMINE IMPLICATIONS OF THE IMPENDING LICENSING DECISION

Rival casino groups poised for Ladbroke pickings

IF LADBROKE GROUP loses its appeal against South Westminster magistrates' decision not to renew its operating licences for four London casinos, one thing is certain: other leading casino companies such as Grand Metropolitan, Coral Leisure and Playboy will be keen to pick up the lucrative licences for themselves.

London has 26 casinos and the Gaming Board considers that sufficient. It argues that demand for casino gaming is fully satisfied.

If Ladbroke loses its licences, however, rival clubs should be able to persuade the Gaming Board and the licensing magistrates that some demand is unsatisfied.

It has nothing to lose in trying. The cost of applying for a licence is trifling compared with the possible profits from a Mayfair casino.

Opinion

"Every Tom, Dick and Harry who knows the first thing about casinos and can get hold of some premises will be applying for a licence," a leading figure in the casino world said yesterday.

He feared that it would lead to chaos as the already overstretched Gaming Board tried to evaluate increasingly numerous applications.

The more thoughtful of Ladbroke's rivals regret the effect of the court case on public opinion. Its outcome, they fear, might hinder the industry's resistance to the higher tax rates recommended by the Rothschild Commission on Gaming and deter some "high rollers" from coming to London.

If nothing else, the case has shown that London expects standards much above those of any other gaming centre in the world.

Many of the alleged misdemeanours were breaches of the rule that only people who have been members for 48 hours or are bona fide guests are allowed to gamble. In Las Vegas, anyone can walk off the street and start playing.

The regulations are, if anything, getting tougher. In the course of the hearing, the Gaming Board said that it now frowns upon payment of commission to those who introduce gamblers and take a percentage of a casino's winnings. Ladbroke might be counted unlucky on that score, since that attitude had not been clear before the hearing.

The rush to replace Ladbroke's casinos might be forestalled if Ladbroke can find a way to pass on its casinos to someone who would win the appeal.

That may be difficult, since the Gaming Board, which would advise the court, takes the view that licensees against whom the magistrates have ruled should not benefit by receiving inflated prices for their premises.

The main basis of Ladbroke's argument before the magistrates was that the people responsible for the admitted misdemeanours had now left the group. It remains to be seen whether further management changes will take place before an appeal to the Crown Court, even perhaps involving Mr. Cyril Stein, the chairman, who admitted ultimate responsibility in court.

Bingo

But he is unlikely to stand down willingly and the shareholders would probably not seek to force him out.

Ladbroke ranks among the fastest growing U.K. companies. In its first full year as a publicly quoted company in 1968 it made less than £500,000 and employed 700 staff, mostly in its 100-odd licensed betting offices.

Last year it made pre-tax profits of £41.5m, employed 17,000 people and controlled the largest chain of betting offices in the UK, and the country's biggest casino operation.

It runs one of the biggest chains of bingo halls in Britain, owns more than 30 hotels and describes itself as the third largest operator of UK holidays. These days it is very much a leisure conglomerate and its interests range from managing the Grand National to sponsoring the University Boat Race.

In the late 1960s, Ladbroke spotted and started to exploit the growing leisure industry. Helped by its stock market quotation and the healthy cash flow from its traditional cash betting business, it began diversifying rapidly.

It became involved in a casino operation in Malta, where it got its first taste of the lucrative casino earnings, and moved into bingo halls, holiday centres and property.

It took over the Caister Group in 1972 and that made it the third largest UK holiday camp operator after Butlins (now owned by Rank) and Pontins (owned by Coral). It marketed its new operations aggressively and always gave the impression of being one step ahead of the competition.

Not all its ambitious diversification plans worked. In 1971 its bid for arch rival, Joe Coral, failed and four years later an agreed takeover of the Vernons Pools organisation fell through.

Its most successful move by far was to buy into the UK casino business in the early 1970s.

Diversify

With the influx of foreigners in the late 1970s, Ladbroke's casino profits took off and probably amounted to £20m last year.

All the time, Ladbroke's has continued to diversify its non-casino interests. Most recently, that has involved heavy and expensive investment in hotels but in spite of boasts that the non-casino side is capable of making profits of £25m a year, the group still depends heavily on casinos and cash betting. Together, those contributed some £32.6m last year.

In spite of its heady growth record, the Ladbroke Group has never had the sort of star rating the stock market has awarded to other growth stocks. There has always been a certain amount of unease about the quality of the company's earnings and that has been borne out dramatically in the latest turn of events.

At current prices the group is capitalised at just less than £100m, slightly more than its net worth.

Freddie Mansfield

Cyril Stein, chairman of the Ladbroke Group: Accepted ultimate responsibility.

Woolworth superstore plan intensifies retailers' battle

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE BATTLE to develop superstores in London has been intensified by F. W. Woolworth's decision to seek planning permission for an 80,000 sq ft superstore at Edgware, North London.

Woolworth has applied for planning permission for one of two possible schemes—one of 80,000 sq ft of selling space and parking for 1,500 cars, and an alternative of 55,000 sq ft of selling space and room for 1,200 cars.

The schemes are to go before Barnet Council for approval but a decision is expected to take months.

Woolworth has 12 other superstores throughout the UK which trade under the name Woolco. The move towards building a superstore on the fringe of London is in line with the plans put forward by other big retailers, especially grocery companies as Tesco, J. Sainsbury and Asda.

Tesco is pushing ahead with plans for a superstore development in conjunction with British Rail on an unused site at Neasden, North London. Asda is also planning to participate in a £10m redevelopment of Millwall Football Club's ground in Lewisham, South London.

W. H. Smith stores group has an extensive expansion programme including one period of 23 days when a total of 10 re-sited or modernised branches are to be opened. Moreover, before the end of the year Smith's plan to open a further 13 branches including the company's first in Scotland.

By the end of the programme total sales area will have been increased by 111,000 sq ft.

Industry week opens in Southampton

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Confederation of British Industry's second Industry Week opens this morning in Southampton. An exhibition in the city's Guildhall aims to inform local people about what industry is doing in their area.

During the week school-children will visit both the exhibition and local manufacturing concerns.

By the time the Southampton week ends on Saturday it is hoped that at least 2,000 schoolchildren and several thousand adults will have visited the Guildhall.

The week officially began last night when Sir John Hedley Greenborough, president of the CBI, attended a dinner in Southampton with industrialists and civic leaders.

One of the moving forces behind the week has been Dr. Harold Hughes, deputy chairman of Southern Gas. He has recruited a team of senior executives, headed by himself, to man the gas stand and encouraged other company chairmen and managing directors to put in appearances.

The first week was held last month in Sheffield as part of a programme of informing localities about the activities of concerns in their neighbourhood.

Easier Savings Bank cashing

NATIONAL SAVINGS BANK account holders will be able to draw up to £30 a day at post offices on demand without the bank book being retained for examination for the summer months. The rule by which books are retained after two withdrawals exceeding £15 within seven days is relaxed.

In addition, the requirement for bank books to be retained for examination when two pages of entries are full is abolished, but books will continue to be retained after withdrawal of over £50. It is now possible to withdraw in a week £180 (6 X £30) against £105 previously.

CONTRACTS

Personal radios for police

STORNO, Camberley, Surrey, has a £2m contract from the Metropolitan Police for the supply of miniaturised personal radio telephones. Several thousand units, which can be used both on the beat and in patrol cars, will be delivered in the next two years.

★

A. J. DUNNING AND SONS (WEYHILL) has a £1.9m contract to build the new Hospital Saving Association's headquarters at Andover. The three-storey building will have a floor area of about 30,000 sq ft.

★

MULTITONE ELECTRIC COMPANY is to supply 5,000 digital receivers worth more than £500,000 for a public radio paging service operating in Hong Kong and the New Territories.

★

The National Coal Board has placed contracts, worth £1.6m, for the supply of wire reinforced ventilation ducting for underground ventilation systems with FLEXADUX PLASTICS and GENERAL MINING AND ENGINEERING COMPANY for the period July 1, 1979 to June 30, 1980.

★

SULZER BROS. INC., New York, is supplying three slow-speed (126 rpm) crosshead diesel engines, each of 43,200 bhp, to power three container vessels ordered by American President Lines from Avondale Shipyards, New Orleans.

★

Orders for two industrial water cooling towers, rated at 27,000 and 23,000 gallons/hour, worth together about £32,000, have been placed by Sintra (PM) Services, Gloucester, with HEENAN COOLERS (a Redman Heenan International company). The larger is for a poultry processing plant in Yugoslavia, and the smaller for a similar installation in Hungary.

★

AVON INDUSTRIAL POLYMERS (MELKSHAM) has three orders from North America to supply a total of almost 2m golf club grips.

★

PULLMAN KELLOGG, Wembley (subsidiary of Pullman Inc.) is to supply a visbreaker (a refinery process unit) to process 32,000 barrels per stream day of vacuum residue, at Industria Siciliana Asfalti Bitumi Spa, Gela.

★

OHE, Great Yarmouth, has an order from Codeco to design and supply the acoustic instrumentation system for monitoring the low-cut and installation of the Murchison Field flowlines. It is believed to be the first time such a system has been used in the North Sea.

Power engineers end pay row

BY OUR LABOUR EDITOR

AGREEMENT was reached in secret yesterday on a pay rise for 27,000 engineers who control the country's electricity grid.

Neither the Electricity Council nor the Electrical Power Engineers Association would name the settlement figure. But it could be higher on average than the 16-18 per cent rejected by the union's negotiators earlier this month.

Whatever the figure, it is likely to be pursued by the unions representing 96,000 manual workers, although the engineers are trying to widen their pay differentials this year.

Manual unions have vowed to seek the same increase even if a ballot of their members, whose result should be known on Friday, shows they have accepted an offer of 16 per cent payable in two stages. The indications are, however, that the ballot—second in this negotiation—has gone against the offer.

Times nearer to deal; more talks on Friday

BY PHILIP BASSETT, LABOUR STAFF

IMES NEWSPAPERS edged oser yesterday towards reachg agreement on a formula for e early republication of its tles in a meeting between nior union and management ficials.

The two sides will resume lks on Friday, and Mr. Duke ussey, chief executive, said ter yesterday's meeting that me progress had been made d the company was "reasonly optimistic" about the outme of further talks.

The meeting yesterday cened on the differences between e proposals put forward by e company for republication The Times, its supplements d the Sunday Times, which ave been suspended since last ovember, and conditions rawn up by leaders of Times ewsapers' unions.

The unions' conditions are an amalgam of the leaders' original formula and proposals pu tforward by Times Newspapers' chapels. Though some agreement was reached between the unions and the management yesterday, there is no guarantee that any agreed proposals for republication will be acceptable to the in-house chapels.

The proposals drawn up by the union side yesterday agree to the company's central insistences of a common disputes procedure and a guarantee of continuous production in the period of republication while agreements are being concluded.

On another important issue of victimisation, though, the unions' conditions make it clear that an agreement by both the company and the unions banning victimisation will not interfere with the "correct operation of union rules."

The National Graphical Association is thought to be keen to ensure that some of its members who have crossed the picket lines at the company's London offices during the dispute should not escape any due penalties.

The unions are also claiming a payment of £200 per shift for each employee, half upon reinstatement and half on republication, as "reimbursement payments fo the weeks of the lock-out." Times Newspapers estimate this payment at about £1.000 per man.

The company's original offer in its proposals was the old rate plus the new 10 per cent award. a further 5 per cent and £200 on top of that.

Journalists begin court appeal

OURNALISTS WHO refused to in the seven-week strike of rovincial journalists, which nded in January, yesterday hallenged in the Court of ppeal, a High Court refusal ban the National Union of ournalists from taking discipnary action against them.

Their counsel told the court hat the fact that the disciplinary roceedings had taken place nd many journalists expelled rom the union did not make he appeal irrelevant.

The journalists, from Birningham and Coventry, had been required by the union to go out on a "lightning" strike called in breach of solemn undertakings given by the union in national and local collective agreements. Those who did not strike, therefore, had "reasonable cause" for doing what they did.

The appeal is by all members of the Birmingham Post and Mail joint chapel who did not go on strike as well as 10 Coventry journalists against Mr. Justice Slade's decision of February 12.

The appeal, being heard by Lord Denning, Master of the Rolls, and two other judges, is expected to last several days.

The issues raised by the appeal, said counsel, were whether any strike call should have been preceded by a ballot, whether the strike call breached local and national collective agreements which bound the union, in honour, to observe a disputes procedure before calling any strike and whether refusal to strike was capable of being "conduct detrimental to the union."

None of the journalists had lost their jobs as a result of expulsion from the union, because no closed shops were concerned. But, said counsel, opportunities for future employment had been imperilled.

However, it was only right to say that the NUJ "is seeking to minimise the consequences of expulsion by pointing out that only a small number of members work in closed shops and that journalists can apply for readmission," said counsel.

The hearing continues today.

Tass to fight union 'invasion'

BY OUR LABOUR STAFF

TASS, the white collar section of the Amalgamated Union of Engineering Workers, warned yesterday that it and other groups in the Confederation of Shipbuilding and Engineering Unions would not stand by and watch non-Confederation unions "invade" the aerospace industry.

The TASS statement followed a ballot decision by the British Aerospace Staffs Association to join Mr. John Lyons' Engineers and Managers Association.

The EMA, which is attempting to expand into aerospace and shipbuilding from its traditional power basis in electricity supply is a member of the TUC but not of the Confederation.

Its battle with other TUC unions—principally TASS—over union recruitment in shipbuilding and aerospace intensified this week following its decision to set up a separate Aerospace Association within the EMA. This grouping would be made up of BASA and BACSTAFF, the local staff body at British Aerospace's Warton division.

Inroads

Mr. Bill Niven, TASS national industrial officer, said yesterday that the EMA's proposed stake in British Aerospace was still exceedingly small in comparison to that of TASS. The latter claims a membership of 9,000 in aerospace including 2,500 staff designated as managers.

Mr. Niven said managers and professional staff needed separate bargaining rights and autonomy which was TASS policy. The EMA, however, was about to absorb BASA, which included staff who were not in the managerial grades.

Mr. Niven said the EMA was making inroads into aerospace in defiance of TUC rules. TASS hoped British Aerospace would stand by its policy of resisting union proliferation.

BP tanker men win pay deal

BY NICK GARNETT, LABOUR STAFF

BRITISH PETROLEUM has negotiated a major efficiency deal with its distribution workers—including the tanker drivers—which is likely to be a pace-setter for the rest of the oil industry.

The agreement, which follows 18 months of hard negotiations, involves some manning reductions, a drop in the number of tanker lorries and higher speeds in the handling of work.

In return for accepting newer and more stringent performance targets fixed individually for each depot, the 2,250 workers to which the scheme applies will be entitled to extra maximum payments of £7.60 a week on top of present earnings.

The company has apparently been determined to negotiate a genuine efficiency deal. Each individual group, all with different performance targets, will receive only pro rata efficiency payments should their depots fail to meet performance standards.

Payments for the first three months of the deal, which operates from July 1, will be paid at the maximum rate.

After three months have elapsed, the scheme will be assessed and if depots have not met targets, a subtraction from their efficiency payments for the next period will be made. Basic earnings are however protected. The whole scheme will be reviewed next year.

Performance standards—which apply to workers in aviation fuel supply, the lubrication division and pipeline work as well as the 1,200 tanker drivers—are geared to a 6.1 per cent improvement in efficiency related to specific indices agreed with the unions.

The company has also applied these indices to productivity over the past 18 months which has shown an efficiency improvement of about 3 per cent. BP has translated this into an immediate increase of £2 on basic pay for distribution manual workers, as an increase separate from the efficiency payment.

Indices for measuring productivity include the use of new equipment, generally better utilisation of time and, in the case of tanker drivers at some depots, higher road speeds.

Parliament engineers returning to work

BY OUR LABOUR STAFF

ENGINEERS at the Houses of Parliament were instructed to return to work yesterday after a meeting on teihnologists' pay between the Institution of Professional Civil Servants and Lord Soames, the Lord President of the Counil.

The instruction will also apply to Stationery Office staff who have held up the supply of Hansard and other Parliamentary papers in support of a claim for increases of 36-47 per cent for 50,000 technologists.

Action by 32 engineers at Westminster, which was aimed at disrupting canteen facilities lifts, air conditioning and other equipment, caused concern in both Houses.

Strikes affecting Parliamentary operations were called off yesterday by the union as a gesture of goodwill after Lord Soames met the IPCS. He said he would consider the union's arguments in support of its claim, but urged it again to take the dispute to arbitration.

● Administrative and clerical staff at most of the country's universities have been asked by the National and Local Government Officers' Association to consider industrial action in pursuit of a 24 per cent pay claim.

● Agreement on a new minimum rate of £33 for stable lads—an increase of about 19 per cent — was reached in London yesterday at a meeting of the National Joint Council for Stable Staff.

● Members of the Union of Shop, Distributive and Allied Workers employed by Britain's retail Co-ops have accepted a wage settlement covering 200,000 staff, backdated to May 7. The deal gives general assistants, who had a £2 rise last December, another £4 now plus a further £1 in November, making minimum rate for an adult shop assistant £47 a week.

Joseph spells out his regional policy plans

SIR KEITH JOSEPH, Industry Secretary, yesterday presented the Government's long-awaited regional industrial policy and its programme of selective financial assistance.

He told Parliament that its aim was to encourage the industrial vitality and prosperity of the whole country, including those areas with severe economic problems.

"As part of our general framework for industry we propose to continue with a strong—but more selective—regional industrial policy. We shall maintain the three-tier structure of the Assisted Areas (AAs)—that is, Special Development Areas, *Development Areas* and Intermediate Areas — as well as the existing instrument of regional industrial policy, but concentrating on those parts of the country with the most intractable problems of unemployment.

"The Assisted Areas currently cover over 40 per cent of the employed population. We *propose over a transitional* period of three years to reduce this to around 25 per cent, in order to focus on the remaining AAs more effectively, and to treat different parts of the country more consistently and fairly.

"*We propose* immediately to upgrade a small number of areas to take account of their changed circumstances. A number of Special Development Areas (SDAs) and Development Areas (DAs) will be downgraded by one step for similar reasons but these changes will not take effect until August 1, 1980. From August 1, 1982, we propose that a number of these areas should be further downgraded, but that of these those due to become non-Assisted Areas (non-AAs) should be the subject of a special review before such descheduling takes final effect.

In addition we propose that a number of Intermediate Areas (IAs) should become non-Assisted Areas in three years' time.

"We propose to maintain Regional Development Grant (RDG) at its present level of 22 per cent in the Special Development Areas, so that assistance will not be reduced in the areas of greatest need. In Development Areas we propose that the rate of grant should be reduced from 20 per cent to 15 per cent on buildings, plant and machinery provided after August 1, 1980. We also propose that the 20 per cent RDG on buildings provided in Intermediate Areas should be abolished from the same date.

"Finally, we propose to raise the minimum levels from £100 for plant and machinery and £1,000 for buildings to £500 and £5,000 respectively in respect of expenditure defrayed on or from July 18 1979.

"Our objective is to maintain reasonable stability in the framework of regional investment incentives and to avoid abrupt changes.

"In future, regional selective assistance under Section 7 of the 1972 Industry Act will be provided in the AAs only where it is necessary to enable projects to go ahead. Particular attention will be paid to the provision of more productive and more secure jobs. I will say something about the future of national selective assistance under Section 8 of the Act in a moment.

"We consider that factory building is a useful and relatively inexpensive instrument of regional industrial policy and this will continue. We intend, however, to secure a greater element of self-financing.

"We have also reviewed the operation of Industrial Development Certificates (IDCs) in the light of our objective of reducing the burden of Government controls on industry.

"I am satisfied that the IDC procedure can still be useful in identifying large projects which aer potentially mobile. I propose, however, to abolish IDCs in the IAs and to raise the exemption limit to 50,000 sq ft in the non-AAs including the *South East*.

"We estimate that these changes will, by 1982-83, lead to total savings of £233m in the expenditure of £609m on RDGs, regional selective assistance and factory building projected in the 1978 White Paper revalued at 1979 survey prices.

"Although expenditure on regional incentives *will continue* to be substantial, I must emphasise that regional differences will not be reduced simply by redistributing money from taxpayers: there needs also to be local enterprise and plenty of co-operation in making businesses competitive and profitable.

"Nothing will do more for the prosperity of a region than a reputation for effective work, high productivity and co-operation between workforce and management.

"Finally, I turn to our decisions on national selective assistance under Section 8 of the 1972 Industry Act which can of course be paid to enterprises in the AAs as well as in the non-AAs.

"After consideration, the Secretary of State for Energy, the Minister for Agriculture, Fisheries and Food and I have decided to allow the Energy Conservation Scheme and the two remaining sectoral schemes, for Footwear and Redmeat Slaughterhouses, to run their course.

"All applications under these schemes and any outstanding applications under the other sectoral schemes that have already closed will be processed under existing criteria.

"The Selective Investment Scheme, for major investment projects, closed for applications on June 30. All outstanding applications which have not yet been approved will be processed against the existing criteria but we shall interpret these criteria somewhat more stringently than in the past, so that marginal projects will in future not be assisted.

"For the future, the Government will continue to provide assistance under Section 8, but more selectively than hitherto. We shall continue to offer assistance to enable internationally mobile projects to locale in the UK: this is an area where other governments are also very active.

"We intend also to support projects leading to very substantial improvements in performance particularly in productivity, or projects which will result in the introduction of new products.

"In addition, every project will have demonstrated that it will result in a substantial net contribution to UK output or will introduce a significant degree of innovation to the United Kingdom.

"Assistance will be given only for projects that would not go ahead as proposed without it, and will be negotiated as the minimum necessary to achieve this.

"I am laying before the House the four Orders required to introduce the changes in Regional Industrial Policy, one dealing with RDG, one with AA boundaries and gradings and two with IDCs. The RDG Order *requires an Affirmative Resolution* and my Right Hon Friend, the Leader of the House, will be announcing shortly the date for a debate next week at the conclusion of which this resolution will be moved."

Sir Keith shows which regions will be affected by his industrial policy.

How the proposed changes will work

DETAILS OF the Government's plans to change regional industrial policy were given by Sir Keith in a written Parliamentary answer.

Assisted Area boundaries and gradings:

Three "Travel to Work" Areas (TTWAs), all in the south-west, are to be added to the Assisted Areas (AAs) as Intermediate Areas (IAs). They are: Torbay, Dartmouth and Kingsbridge.

Five TTWAs which are now IAs (Mexborough, Plymouth, Rhyl, Rotherham and Wigan) are to become Development Areas (DAs).

Special areas

Four TTWAs and part of a further one, which are now Development Areas (DAs), (Ayr, Kilmarnock, Redruth, Wrexham and the Large Employment Office area other than the Isles of Cumbrae are to become Special Development Areas (SDAs).

Upgradings within the AAs and additions to the AAs will have immediate effect.

Where a place which is now an IA is to become a non-Assisted Area (non-AA) there will be a three years' transitional period. Where a place is to go down by more than one AA grading it will retain its present grading (subject to transitional arrangements) for one year. It will then descend one step and retain that temporary grading for two years after which it will move to its final grading, subject to the review arrangements. Other changes (i.e. those involving places which are to remain as AAs but which will go down one step only) will take place after one year's transition. Regional Development Grant (RDG) will be paid on assets provided during these transitional periods.

Review later

The Government will review after two years the progress of areas which it is envisaged will become non-AAs as a result of going down by more than one step.

Regional Development Grants:

It is intended that grant should cease to be paid in the IAs and this will be achieved initially at the Secretary of State's discretion but the Industry Act, 1972, will be amended as soon as possible to give effect to this change.

In order that these changes may take effect gradually it is intended that grant will continue to be payable at the former rate of 20 per cent in both the DAs and IAs on expenditure defrayed before July 18, 1979 and additionally on those assets provided before August 1, 1980. The four month deferment on payment of approved claims introduced on June 12, 1979 will continue.

Entitlement

Eligibility for RDG where there is a change of AA status:

In areas which are to change to a lower category of AA, or to cease to be AAs, entitlement to RDG will continue at present rates on expenditure defrayed before July 18, 1979, and assets provided before August 1, 1980.

In those areas which are to become DAs from August 1, 1980 and then IAs or non-AAs from August 1, 1982, RDG at the rate of 15 per cent will be payable on assets provided on or after August 1, 1980 and before August 1, 1982.

In those areas to become DAs from August 1, 1980 and not designated for further change on August 1, 1982, RDG *will be payable at the rate of* 15 per cent in accordance with the general rules of the RDG scheme on expenditure incurred in the provision of eligible assets.

In areas designated as IAs from August 1, 1980 grant will be payable on expenditure defrayed before July 18, 1979 on assets provided before August 1, 1980.

In areas which are upgraded, RDG will be payable at the rate appropriate to their new Assisted Area status from July 18, 1979. Where, however, an area is designated as an IA, RDG will be payable only on buildings and works provided before August 1, 1980. In areas upgraded from IAs to DAs the rate of RDG payable will continue to be 20 per cent for *buildings and works on buildings* and works provided before August 1, 1980 and thereafter 15 per cent.

Work of Development Agencies:

The functions of the Scottish Development Agency, the Highlands and Islands Development Board, the Welsh Development Agency, the Development Board for Rural Wales, the Development Commission and the Council for Small Industries in Rural Areas are unaffected by this announcement. We will be examining the future role of these bodies in those parts of their present territories which, subject to the review are to become non-AAs.

Exemptions

Industrial Development Certificates

The exemption limit will be raised to 50,000 sq ft throughout the non-AAs including the south-east. This will enable large projects to be identified, while enabling smaller projects to go ahead more quickly. These changes in the IDC arrangements will come into effect on August 6, 1979.

Other Government Policies

The results of the Government's review of regional industrial policy will be taken into account in considering the future operation of other *Government policies affecting* the location of industry and the AAs.

Sir Keith displays pruning skills

BY PHILIP RAWSTORNE

SIR KEITH JOSEPH swung the Government's axe with a will among the industrial *subsidies yesterday.*

Meriden motor-cycles got the chop: Shotton steelworks was virtually lopped off the British Steel losses.

In between, Sir Keith briskly cut £233m from regional aid and just as summarily dispatched Labour's furious protests.

Mrs. Margaret Thatcher, having rejected the CBI's last-minute appeals for clemency *towards the regions*, watched the process with evident approval.

National industrial vitality demanded rigorous pruning, Sir Keith declared. "The Government seeks to create conditions in which the whole country can prosper."

Regional differences would not be reduced simply by redistributing taxpayers money. "There needs also to be local enterprise and plenty of cooperation in making business competitive and profitable.

"Nothing will do more for a prosperity of a region, than a reputation for effective work, high productivity and cooperation between workforce and management."

Cheered from the Tory backbenches, Sir Keith then *set about the task of encouraging* the growth of such conditions by whittling away, the Government aids.

Assisted areas would be downgraded over the next three years; industrial development certificates partially abolished.

Even national selective assistance would not be extended much beyond red meat slaughterhouses, he announced.

Sir Keith had scarcely started before howls of complaint rose painfully from Labour MPs. No-one knew exactly what he intended for places like Hexham and Haltwhistle, they protested.

Sir Keith's written answer, which contained the details—and which had originally been due in the Commons on Monday, had still not arrived. But despite the hullaballoo, the Speaker refused to suspend the sitting to wait for it.

Mr. John Silkin, the Labour spokesman, was left therefore to hazard a guess about the general impact of Sir Keith's incisive approach.

The only growth it would encourage would be among the unemployed he predicted bitterly.

Labour's regional aid had created 300,000 jobs, he declared. "It will be the dole queues of Britain that will be paying for the tax reliefs of the rich."

Sir Keith retorted that the Labour policy had resulted in a net increase of only 10,000 jobs during the 1970s. There was no evidence that the changes would *now* lead to any significant unemployment.

Dr. Oonagh McDonald (Lab. Thurrock) angrily labelled Sir Keith as the "Cut and Run Man." But the Industry Secretary stood manfully at the despatch box to defend his actions against charges that he was creating two nations.

Labour stresses threat to jobs

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT proposals for cuts in regional aid will mean that the dole queue of Britain will be paying for the relief of the rich, Mr. John Silkin, Labour's Industry spokesman, claimed in the Commons yesterday.

Commenting on the long and complex policy statement from Sir Keith Joseph, the Industry Secretary, Mr. Silkin said that it all boiled down to a cut of £233m in assistance to the regions.

This was a deferred payment to help meet the cost of the income tax cuts for the better-off which the Government had announced in the Budget.

Mr. Silkin was particularly critical of the down-grading of the intermediate areas which, he said, were extremely vulnerable to competition from imports.

As a result, the footwear and textile industries of Yorkshire and Lancashire would be at risk.

The shadow spokesman said that Labour's regional policy had created 300,000 new jobs and cut unemployment by the same amount.

He wanted to hear from Sir Keith how many jobs would be put at risk as a result of the policy changes.

Mr. Silkin also feared that the abolition of *industrial* development certificates would mean that new factories would be encouraged to set up in areas such as the south-east instead of the hard-hit parts of the country.

Another Labour Industry spokesman, Mr. Les Huckfield, complained that Sir Keith seemed to have decided on the cuts without estimating what the effect would be on employment.

He wondered what the Industry Secretary would say to the continual procession of Conservative MPs and local authorities who came pleading with Ministers to give them assisted area status.

According to Mr. Huckfield, the statement offered no hope at all to the regions and would result in a massive drift of industry to the south-east.

For the Liberals Mr. Cyril Smith said the statement would be received with great dismay in the north of England.

"It seems that it is biased very much towards parts of the south of England and against the north of England."

Mr. Smith also wants to know what there was in it to encourage small businesses and what the CBI might think of it.

The majority of Conservative back benchers gave full backing to Sir Keith, but some expressed misgivings about the effect on their own areas.

Mr. Peter Mills (C. Devon W) said he and his colleagues would wait to give Sir Keith a "fair wind" for the proposals.

But he warned that, if they did not work out, he and others were not prepared to see further unemployment in the south-west and—in that event—Sir Keith should consider changing his policy.

There was also a warning from Mr. David Trippier (C Rossendale) that it was very dangerous to withdraw intermediate status from his area which was so heavily dependent on textiles and footwear.

Replying to the criticisms from the Labour benches, Sir Keith pointed out that assistance to the regions during the 1970s had resulted in a net increase of only 10,000 new jobs.

He also reminded the House that in 1976 the Labour Government had reduced regional subsidies by £318m (which was equivalent to £300m at today's prices) and had given only two weeks' notice of their intentions.

Sir Keith said that the changes he was proposing would provide part of the resources for the reduction in Government borrowing and personal taxation which the present administration had set in hand.

There were Labour protests when he added that he had not been given any figures for the *reduction in jobs that would* result from the changes.

He maintained, however, that there was not evidence that, taking the country as a whole, there would be any effect on jobs.

"The present map is filled with anomalies," said Sir Keith.

"There are many parts of the country receiving assistance or regional development money which have lower unemployment and better economic structures than many areas that receive such assistance.

"It is about time the Government altered the map towards a more sensible relationship."

Sir Keith emphasised that even after the changes he had announced, the Government would still be spending large sums on regional assistance.

Call for national BSC strike

By Our Labour Staff

THE UNIONS at British Steel are to be asked to call an indefinite national strike if the corporation goes ahead with plans to phase out steelmaking at Corby.

A mass meeting of 10,000 workers at the plant has been called for Friday to approve a resolution by the joint union branches committee, calling for the strongest possible action to save the plant.

Shop stewards meeting today will draw up the precise wording of the resolution, but it is understood the Corby unions want national rather than local industrial action.

Jobs at stake

Mr. Mick Skelton, the secretary of the joint union branches committee said yesterday that the meeting would give an opportunity to assess the mood of the plant. Nearly 6,000 jobs are threatened.

The six unions involved, including the Iron and Steel Trades Confederation and the National Union of Blast Furnacemen want to give their national leaderships a chance to work out a solution with BSC.

Mr. Skelton said there was a collision course for a national steel strike over Corby. "We want every Corby worker to vote on whether to come out or not. A strike at Corby would be ineffective by itself although we are prepared to give a lead in starting the national industrial action.

"When a town is dying, a national steel strike is nothing," he said.

The steel parliament, which has its first full meeting at Redcar, Teesside, today is likely to be dominated by the issue of the closures at Shotton and Corby, according to the union delegates from those plants. The agenda for the meeting is on problems of steel-making.

Redundancy

The Iron and Steel Trades Confederation at Shotton has pledged its total opposition to British Steel closure *proposals* for the plant, and will advise its 5,000-plus members to be wary of accepting redundancy payments.

Mr. George Cooper, the ISTC divisional officer said his committee would meet on August 6 after the plant's annual fortnight summer holiday shut down.

The union's position on the closure would be reviewed but it was advising all employees "to be aware of the folly of selling job prospects for immediate financial gain."

The union said it was willing to honour agreements already reached to rebuild furnaces and import coil during the holiday shut down and not to engage in industrial action.

Immigration statement promised

NEW immigration rules will be detailed in a Government statement in the autumn, Mrs. Thatcher promised Tory backbenchers in the Commons yesterday.

She had been pressed to set out her plans immediately in the light of the Tories' election promise of "firm immigration control."

Mr. Nicholas Budgen (Wolverhampton SW) *said that* one reason many people had voted Conservative was that they agreed with the detailed pledges in the manifesto.

Mr. Alan Clark (C Plymouth Sutton) warned that plans for a statement after the recess might lead to a "beat the ban" immigration rush.

Mrs. Thatcher replied that the Government would implement the promises it had made. There would be a statement when MPs returned after the summer recess, she promised.

The Tory manifesto promised to end persistent fears about immigration levels.

Review call on offers to jobless

THE GOVERNMENT want more unemployed people to be called in for reviews of their benefit when they are offered jobs but decline them, Mr. James Prior, Employment Secretary, told the Commons in *question time yesterday.*

Many workers, he said, felt "very great indignation" at unemployed people who turned down job vacancies. Payment of benefits to jobless people who rejected offers would be considered more strictly in future.

Meriden £1¼m loan waiver refused

A REQUEST from the Triumph Motorcycles co-operative at Meriden to waive or defer loan interest of more than £1¼m, payable to the Government, has been rejected, Sir Keith Joseph, Industry Secretary, announced in a Parliamentary written answer yesterday.

He told Mr. Ian Lloyd (C., Havant and Waterloo) that the co-operative had asked for a waiver or alternatively deferment until the end of this year, of the £1,256,000 that became due on June 30.

Amnesty letter opposes hanging

MRS. THATCHER was urged in a letter handed in at the Commons yesterday by Mr. Cosmas Desmond, director of the British branch of Amnesty International, to reconsider the arguments against reintroducing the death penalty, which MPs are to debate tomorrow.

Opposition compares Shotton to Jarrow but Sir Keith insists:

State steel group looks like breaking even

BY IVOR OWEN

THERE IS now more chance that the British Steel Corporation will achieve its target of incurring no further operating losses after the end of the present financial year, Sir Keith Joseph, Secretary of State for Industry, said in the House of Commons last night.

Replying during a three-hour emergency debate on the Corporation's announcement that it intends to end steelmaking at its Shotton plant, in North Wales, he denied that the decision had been forced on the corporation by the Government's insistence that it must break even on its revenue account by the end of the year, 1979-80.

Assurances reconsidered

The Secretary of State came under heavy fire from the Labour benches and was likened by Mr. Barry Jones (Lab., Flint, East) to a "backstreet bruiser" whose budget activities had compelled Sir Charles Villiers, British Steel's chairman, to renege on the pledge that he gave in 1977 that steel-making would continue at Shotton until 1982.

Sir Keith recalled that *Shotton was one among several* plants to have received assurances that the Corporation had, in the light of subsequent events, found it necessary to reconsider.

He cited the closure of the East Moors plant in Cardiff as an example of British Steel's *closing* a works without being subject to a break-even date imposed by a Conservative government.

Mr. Eric Varley, the Shadow Employment Minister, protested that there had been full consultations between the Corporation, the TUC steel committee and the local workforce before the East Moors works were closed down.

He declared: "That was negotiated and not imposed in the way which Shotton is being imposed."

Sir Keith answered that the British Steel chairman had started on the same process of consultation over Shotton as that described by Mr. Varley in the case of East Moors.

He also reminded the Labour benches that Mr. Varley, when Industry Minister in 1978, announced that British Steel was being required to break even by the financial year 1979-80.

"I am proposing a later date than that—for the end of the year 1979-80."

Sir Keith went on to emphasise that if the Corporation were to meet the break-even requirement on its revenue account—"I think there is now more chance that it will be achieved"—taxpayers' money would still be required to provide the capital needed by British Steel to complete its modernisation programme.

Mr. Barry Jones

He clashed with Opposition leaders when he asserted that *the financial objective* that the Government had set for British Steel was no different in principle to that approved by Labour Ministers.

Mr. Varley said: "There is a great deal of difference between having an objective—something you ought to aim for—rather than imposing a straitjacket."

Sir Keith emphasised that over the past few years the steel industry had received £3bn in taxpayers' money to assist the process of modernisation.

Although he did not dispute that a pledge had been given by the chairman of British Steel that steelmaking would continue *at Shotton, Sir Keith insisted* that it had to be accepted that the logic of modernisation was that where there was excess capacity it was not the modernised plant that was taken out.

He gave a warning that if British Steel did not become competitive it would lose more and more of its domestic customers.

"It is essential in the interests of the job of the majority of the people who work for British Steel that the corporation becomes competitive in price, quality and delivery as soon as practicable."

He added: "It may seem kind to preserve surplus capacity, but it is not kind to the vast majority *of the people who work for* British Steel, because unless they are competitive even more jobs may be in danger."

In opening the debate, Mr. Jones forecast that Shotton would be the first of a number of steel plants to suffer from the Government's policy.

"I think the current policy is stupid, and deeply injurious to the social fabric of our steel communities."

The steel industry was being crippled by imports, smothered by cash limits and subjected to Government supervision of the utmost severity.

More than 6,300 jobs would be lost at Shotton, Mr. Jones protested. Amid Opposition cheers, he insisted: "Shotton in the 1980s must not become what Jarrow was in the 1930s."

Constitutional opposition

Mr. Jones accused the Government of acting unilaterally. There had been no proper consultation with the trade unions.

"I give notice to the Government that the Shotton steel men will oppose and oppose and oppose these offensive policies and they will fight and they will organise and they will lobby and they will do these things honourably, *persistently* and constitutionally."

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Keeps it all under control

TO HELP industry overcome problems of escalating energy costs, Transmitton (BICC Group) has developed an energy management system using a combination of microprocessing and telecommunications technology.

Using either intelligent or non-intelligent outstations linked via a two or four wire transmission line to a central station, "micro power" will monitor, supervise and control plant (i.e. motors, fans, pumps, heaters, boilers, ovens, HVAC Units, lights, etc.) to optimise the use of energy in industrial and commercial premises. The equipment can be installed with the minimum of disruption and with no adverse effects on productivity, the working environment or safety.

The central station consists of a minicomputer or microprocessor unit which runs the customer's own energy management programme, an operator terminal/keyboard and printer or VDU, to access the computer and print messages and management reports, and a microprocessor front end driver which marshalls data between the central station and outstations.

Up to 256 intelligent or 14 non-intelligent outstations can be connected to the transmission line using standard low voltage cable, over a distance of 11 km. Between remote buildings or beyond 11 km it is possible to take the transmission over Post Office lines.

Each outstation can monitor and control up to 1,000 points on the Micropower 700 system and up to 16 points on the Micropower 100 system. On the 700, the outstation has the capability of simple decision-making and will take over limited control if the central station goes down. In the event of a total system or outstation failure the devices under control will go into a fail-safe mode.

Micropower reduces a company's energy bill by a number of integrated monitoring and control techniques including: time of day control, demand-limiting with automatic target adjustment, load cycling, lighting control, condition monitoring, optimum start / stop, enthalpy control, cost centre metering, etc.

The system also produces printed energy management reports giving details at regular intervals on energy consumption and demand, and alarms on breakdowns, extraordinary conditions, etc.

Because of modular design and simplicity of operation the user can expand the system, adding new monitor or control points as well as outstations, without calling in the supplier. As he becomes more familiar with the system in his building(s), the customer can easily change his energy plan by entering simple instructions at the operator terminal.

Because of identical hardware modules the equipment is also upwards expandable into a fully-fledged building managment system and can run such things as plant maintenance, security monitoring and control, fire safety, etc.

Savings of 10 to 15 per cent in energy consumption are claimed by Transmitton, Smisby Road, Ashby-de-la-Zouch, Leics. LE6 5UG. 05304 5941.

Turbine run by diesel exhaust

PETER BROTHERHOOD of Peterborough has received an order for the supply of a 3,700 kW turbine from Thermo Electron Corporation of Waltham, Massachusetts, its U.S.-based collaborator on projects of waste heat recovery.

The turbine will be used on a waste heat recovery project awarded to Thermo Electron by Atlas Consolidated Mining and Development Corporation, the largest copper mining company of the Philippines. It will run on heat from the exhausts of three diesel engines at Atlas's Cebu Island mine power plant, providing approximately a 12 per cent increase in power without consuming any additional fuel.

Peter Brotherhood, Lincoln Road, Peterborough, Northants. 0733 71321.

● COMPONENTS

Displays on both sides

FOLLOWING the announcement in recent months and early successful exploitation of single character cathode ray tubes by English Electric Valve Company, demonstrations have now been made of tubes in which the front to back distance has been reduced to an inch or two and which can also be double sided, showing different characters on back and front.

The developments, admit EEV, might well have been thought of earlier since with the absence of any scanning requirements in these tubes—they use a "flood gun" to illuminate the whole phosphor area—the emitting cathode can be brought nearer to the screen. In fact, the double sided tube uses a common cathode sheet as the middle of the electronic sandwich; electrons are emitted in both directions towards the two screens.

Tubes with screens much bigger than four inches square however, do signify very thick glass (half an inch or more) in order to resist atmospheric pressure on the plane surface.

A further development up EEV's sleeve is a flat crt of this kind with a matrix of 10 by six individually addressed characters about half an inch tall. Although this work is receiving some military (CVD) support, a civil market aim is clearly the Prestel service: compact, bright and very clear characters are produced and the tube can be directly addressed with ASCII data streams.

Also under development is a single column tube with seven segments. Due to its tubular construction, EEV sees this as a candidate for mass production using automation: the tubes can be stacked vertically or horizontally to give almost any kind of elemental display, and because each segment can have a different colour (red, white, blue green and yellow are available), the prospect arises of very large scale colour television pictures.

The company has to make decisions soon about the manufacture of these advanced devices. Meanwhile, it is exploiting the four and six inch character tubes which are in necked glassware and are four or five inches from front to back. They have either seven segment or seven by five matrix character formats and sell for between £60 and £90.

Relatively small scale sales have been made to British Steel, Salter (for weighing displays), and to Westinghouse for control room annunciation. The television companies have also been using the displays experimentally for on-air displays in quiz programmes.

Device testing has been in progress at Chelmsford and at continuous running times of about 12,000 hours very little deterioration is evident in phosphor brightness—and the tubes have been run at maximum brilliance.

Among the advantages of the tubes is their low power consumption of only a watt or two, and the absence of moving parts, reducing maintenance to a very low level. They can be switched from integrated circuits at five volt levels.

A small line exists at Chelmsford for making up to about 10,000 tubes a year: if the demand grows beyond this the company will be thinking in terms of automated mass production.

GEOFFREY CHARLISH

One of four methanol converter vessels destined for plant being constructed in Siberia by Davy International leaving the Renfrew works of Babcock Power. Each weighing over 200 tons and measuring over 55 ft by 55 ft, the vessels were manufactured by Babcock Power to operate at extremely high temperatures and yet withstand the low ambient temperatures down to minus 55 degrees C likely to be encountered during transportation to the site.

● PROCESSING

Coatings plant extension

AN EXPANSION programme costing £1m is now under way at Union Carbide U.K. Coatings Service plant at Swindon. New facilities will be provided for depositing metal and ceramic coatings on to surfaces subject to wear, corrosion, heat and oxidation.

About 20,000 sq. ft. of floor space is being added to the plant to house detonation guns, plasma arc torches and to provide ancillary component stripping and preparation areas.

Union Carbide developed the detonation gun to deposit coatings uniformly and integrally bond them to the substrates. Components coated by this method can have their operating life extended by as much as 300 per cent.

Specialised laboratory

DAVY INTERNATIONAL process engineering division of Thornaby on Tees, Cleveland, has been awarded a contract for the design and supply of equipment for a major sintering plant laboratory associated with a new development by COSIPA (Companhia Siderugica Paulista) in the state of Sao Paulo, Brazil.

Specialised equipment, from Britain's only sinter plant manufacturer, will sample, test and monitor the chemical and physical properties of iron ore sinter before it is charged to the blast furnace, thus improving the quality of ironmaking at COSIPA.

The company has carried out other contracts for COSIPA in the past but this latest award was made in the face of intense competition from West German and Japanese suppliers and has taken more than two years of negotiating effort by a small team working out of the Thornaby office of Davy Process Engineering Division.

Davy International, POB, 101 Stockton on Tees, Cleveland TS17 6AZ. 0642 69791.

● DATA PROCESSING

Process plant design

CHEMSHARE library of computer programs, used for the optimisation of process plant design, is readily accessible to chemical engineers in the UK and Europe via United Computing.

The latter will provide dial-up access to the library via a dedicated network which links its London and Kansas City data centres with 150 cities throughout North America and Europe. Chemshare will provide essential user support — including free teaching, input advice and solution assistance.

Developed by chemical engineers Chemshare is based on three programs which simulate all standard process operations and make available a physical property database totalling 857 components.

Hence, design or simulation of any unit or process—in refining, petrochemicals, chemicals, or in oil and gas production — can be achieved in a fraction of the time, and for a fraction of the cost, of conventional methods.

Two of the library's programs are for process simulation. Design/2000 and Refine are designed to perform usually tedious heat/material balance calculations for many hydrocarbon and chemical processes when very little information about unit or process is available.

The third program, Chemtran, is a multi-purpose physical properties program which automatically interfaces with Design/2000 and Refine and is designed to supply pure component physical properties and constants for use in vapour-liquid equilibrium calculations.

Significant is that the most extensive range of thermodynamic correlations ever compiled has been integrated into Design/2000 and Refine programs to enable the most rigorous evaluations to be performed quickly and simply.

To provide an over view of the simulation options offered by Chemshare, United Computing and Chemshare Process Systems have prepared a series of free introductory seminars in London and other centres. Chemical engineers interested in attending a seminar, or requiring further information on the Chemshare service, should contact Dr. Brian Sutton, London United Computing Systems, United House, 56-64, Leonard Street, London EC2A 4AN (01-253 1066).

Maintains watch over Swift

SINCE the introduction of the Swift network for handling international money transactions, more and more banks have begun using this alternative of electronic transmission of overseas payments and the daily average volume of transactions is now over 100,000 messages.

Tying into the network has involved considerable organisational and technical changes in both computer hardware and software for many banks, but a deficiency existed in internal checking on the completeness of all incoming and outgoing overseas payments, which only became apparent after Swift was introduced. It was discovered that it was not so easy to process day-to-day routines through the new system.

Audit control information on payments and any errors which the banks required for internal checking purposes still had to be analysed each day by specialist staff to ensure completeness of the day's transactions.

The private bank Schroeder Munchmeyer Hengst and Co. expressed its dissatisfaction with what it called "makeshift measures." It commissioned CMG (Frankfurt) GmbH, part of CMG Computer Management Group, to develop a software package for controlling the traffic in network messages.

With the help of this package, a supplement to the controls already available was introduced: the package provides automatic controls within the bank on all Swift traffic, using easily legible information on payment audits and error lists. Since these audits and error lists can be produced automatically by the bank's own computer, time - consuming manual checks on completeness, which could often only be carried out by specially trained staff, are no longer necessary.

The starting point for controlling the traffic in Swift messages is the log-file created by the SID (Swift-Interface-Device), which contains all incoming and outgoing Swift messages including system-messages and transfer acknowledgements.

Additionally, there is another file which contains all outgoing payments on a separate data recording system.

Both files are sorted according to incoming and outgoing messages, system signals and transaction reference numbers. A comparison and control programme provides a complete, lucid Swift message audi and an error list.

Software for micros

DEMAND FOR information on microprocessor software has led the National Computing Centre to set up two projects, the first of which will examine the use of high level programming languages. It will study the characteristics of various languages, their suitability for particular applications, versions of the language available and the way in which they are being marketed.

The second project will study applications packages available on microprocessors, and will place particular emphasis on support provided by suppliers.

As part of these activities a questionnaire is being distributed to over 800 suppliers of computer software to determine the software and support services currently available. The results of these studies will subsequently be made available in NCC publications.

Any supplier of microprocessor software who does not receive a questionnaire and wishes to contribute, is asked to contact NCC. The latter is also anxious to receive the comments of any users of microprocessor high level languages or application packages who feel that they have valuable practical experience.

Meanwhile, a new work, produced by NCC Books, deals with microprocessors succinctly but comprehensively.

Introducing Microprocessors examines key aspects of the current microprocessor scene — structure, design and manufacture, available models, programming and languages, applications, and the attitudes of trade unions and management.

NCC, Oxford Road, Manchester M1 7ED. 061 228 6333.

● INSTRUMENTS

Corrosion control

BP IS to equip all vessels of its 40-strong tanker fleet with the new intrinsically safe model IS 165 portable corrosion control indicator manufactured by Wilson Walton International.

Cathometer equipment developed by Wilson Walton working closely with BASEEFA is fully certified for use in category 112 gases and it is claimed, the only portable corrosion control indicator to be granted full BASEEFA approval for hazardous area applications.

In addition to shipboard applications, the unit is also suitable for use on steel piers and offshore on rigs and oil-producing platforms.

Wilson Walton International, Pembroke House, 44, Wellesley Road, Croydon, CR9 2BU, Surrey. 01-686 7011.

Christopher Lorenz on a new U.S. microprocessor study carried out for Whitehall

Stateside lessons in adding chips to your staple diet

LARGE SECTIONS of the British engineering industry are lagging far behind their competitors from Japan, the United States, Germany and elsewhere, in the application of microelectronics—and microprocessors in particular—to their products. As a result, they run an increasing risk of being shouldered out of their established markets by more efficient products, which may also be cheaper. The wealth and jobs of the nation, as well as of individual companies, are at stake.

Which is why the Department of Industry launched its microprocessor awareness programme, aimed at educating all levels of management and unions about the potential of the microprocessor in every nook and cranny of British industry.

One of the Department's problems has been the paucity of British case studies at which to point those managers who are keen to learn from others' experience what micros can do for them, and how to avoid the many pitfalls awaiting them along the way. Since the micro itself is only ten years old, and British industry has been slow to exploit it—with a few laudable exceptions—the Department was confronted with a classic chicken-and-egg problem: how to help people learn from other people, when the "others" could virtually be counted on the fingers of one hand.

Dr. Duncan Davies, the Department's Chief Scientist and Engineer, took the obvious way out: learn from abroad. His Policy and Perspectives Unit commissioned a team of researchers from the Massachusetts Institute of Technology to study the successful generation in the United States of a set of varied microprocessor-based products. Their report was delivered two months ago, and has just been presented amid considerable acclaim to a meeting attended by 60 top British managers.

The eight products, carefully chosen by the MIT team, represent an extremely broad cross-section of applications, made in all sorts of competitive situations (from first-into-the-market, to backs-against-the-wall), and by companies of very varying sizes. They range from fuel injection systems for cars (General Motors) to heating and ventilation controls (a small firm called Computer Controls Corporation), and from monitoring equipment for hydraulic cranes (Eaton Corporation) to sewing machines (Singer).

The result is a lively and compact guide. In little over 200 pages, to virtually everything a general manager (and many an engineer) needs to know about microprocessor technology, its potential advantages and problems for his design, development, production and marketing process, and its potential impact on people: the employees of his firm, and those of its suppliers and customers.

The "people" section is particularly valuable as a counterweight, based on actual experience, to all the recent theorising in Britain and elsewhere about the potential impact of micros on jobs. It offers some stark warnings to companies which are tempted to fight shy of microprocessors, and implies that failure to use them will have a far more serious long-term effect on employment than will their use in the short-term.

The most urgent general message to emerge from the study is that, if you want to make a success of micro-based products, get on with it!

This applies whether your motives are defensive or aggressive; whether (like Singer), or not (like Eaton), your basic product line appears to be threatened by the competition having established a technical lead.

Departure

It is still relatively easy, says the MIT report, to get into the game of improving products, or inventing new ones, by using standard microprocessors in them. This is why it has become so easy for small new firms successfully to invade existing markets with innovative products, the researchers comment.

But, as the complexity of micros increases, so will the sophistication of the necessary skills and techniques. "Then entry costs may begin to rise. Firms late in entering the race may be seriously disadvantaged."

The report is also a rich source of specific advice about how to manage microprocessor-based projects, in marketing as well as both the design and development phases. Among its many suggestions are:

● Where the micro is to be applied to an established product and the resulting combination is seen as a radical departure (for example the Singer sewing machine), the project needs the strong commitment of top management, and isolation from the rest of the firm during the "incubation period." This is needed as much to protect the new idea from negative thinking within the firm, says the study, as to avoid premature disclosure to competitors.

● In each development team examined by the researchers, two key people were present. One was the person who knows a great deal about the product or process in which the micro application is being made, who has expertise in several technical disciplines, and has some understanding of electronics and microprocessor technology. The second person was the software designer: much of the long-term success of the product depends on the efficiency, versatility and reliability of the software, the report emphasises.

● One popular strategy was to invest most of the sophistication of the product in the micro-memory, rather than in the mechanical components. By making minimal demands on the mechanical portions of the product, later design changes can be carried out rapidly and at relatively low cost.

● The most difficult design area appeared to be in the "interfaces" between the micro and the mechanical parts of the product. In this connection, many of the firms found that training their existing people in electronics was more effective than the reverse procedure, trying to bring in people expert in micros and familiarise them with the needs of the product and its user.

● A common marketing strategy was to introduce the micro-controlled version of a product as a top-of-the-line item, at a premium above conventional products. Because the micro allows new features to be incorporated, this is a logical approach. The greater profit margins normally found in the higher-priced items help to repay development costs, and finance the improvements and replacements that will be necessary once competitors move in.

Another advantage is that the price level tends to avoid "locking" the company into the design too early, by limiting demand during the time production capacity is being built and any problems that occur in the product are being ironed out.

This marketing strategy is not peculiar to micro-based products, of course. It is a traditional approach for the maker of any new or improved product. But it is particularly important in the case of micros in view of the study's warning that their advent may shorten product life, thus requiring a more rapid payback of development and tooling costs.

But what about the impact of micro-based products on people, both within the manufacturing company itself and outside it? Their effects can be dramatic, says the report, in terms of changing job content and skills. Only in the case of Singer was there a short-term fall in employment within the manufacturer itself; in some of the other cases the labour required per unit of output did fall, but the innovative product expanded the manufacturer's market, boosting employment overall.

On the other hand, the longer-term effects on manufacturers were less clear. "As a firm goes from rapid changes in product lines to a period of consolidation and standardisation, increases in output may well be possible with no further increases in employment." The early employment gains may also prove temporary once competitors enter the market with similar products.

The new generation of Singer sewing machine, electronic heart exposed; a highly successful "backs-against-the-wall" development by a mechanical engineering company

Off-shore

No increases in employment on the part of the users of any of the products were reported, rather the reverse, though there appeared to be no reduction in half the cases, at least in the short-term.

Employment effects on suppliers were generally reported to be positive, says the study. In the main, this was due to the manufacturers' expanded need for electronic components.

The researchers do not discuss the argument that since electronics production is generally less labour-intensive than the making of mechanical parts—unless one includes "off-shore" assembly work, usually in the Far East—increases in the suppliers' labour force are unlikely to offset falls in the manufacturer's. Much obviously depends, again, on whether the manufacturer's innovation succeeds in expanding his overall market.

The whole tenor of the MIT study is that companies must plunge into the use of microprocessors—and soon—if they are to maintain their position, perhaps even to survive. "Past studies have shown that innovative products, often produced by new firms and new entrants in markets, contribute disproportionally to economic growth, to exports and to the creation of jobs."

The cases examined in the study provided no exception to this finding, the authors emphasise. "The places where we saw employment opportunities clearly being created were in firms which markedly improved their products and range of product applications. . . ."

The most negative effects on employment will be for competitors who stick with conventional technology, the study warns. For them, "both in the United States and abroad, employment will be reduced (or growth curtailed) as microprocessor-based products capture larger market shares."

* *Microprocessor Applications—Cases and Observations. By Robert T. Lund, Marvin A. Sirbu Jr, James M. Utterback, with Brand, Lazarewicz, Stanovsky and Stewart. Report prepared for the Office of the Chief Scientist and Engineer, Department of Industry, UK.*

When Greek meets Greek: story with a happy ending

Over 600 foreign companies already have a stake in the Greek manufacturing and service industries. To assist others who are looking to Greece now that it is about to join the European Community, A. H. Hermann offers a guide to the country's confusing investment regulations.

* * *

THE DOZEN or so Athens lawyers who have an international business practice rarely, if ever, go to court. Their main work is not litigation but negotiation. They are the go-betweens, who test the ground for the foreign investor and try to obtain for him as much as possible of the various advantages promised in some legislative measures.

They play a crucial role. Except for a few top people of outstanding competence, the civil service suffers from appointments made more with regard to family and political ties than to ability.

The lawyer's job is not only to get the best possible deal for his client but also to obtain a decision within a reasonable time. Though two months is the statutory limit for deciding on an application made under the legislation providing for investment incentives, it is more reasonable to expect it to take at least a year.

Possibly even more important to a foreign investor than a good lawyer is a friendly Greek bank manager. Depending on the region in which the project is to be located, as much as 50 per cent of the investment outlay can be obtained from the government in the form of a ten year interest-free credit. This newly introduced scheme, available to both domestic and foreign investors, carries the condition that the investor puts down at least 20 per cent and a Greek bank provides the rest. The credit application must be accompanied by a feasibility study and a recommendation from the commercial bank handling the project.

This bank will also manage all the money placed at the investor's disposal including the interest-free credit or other subsidies obtained from the government, paying invoices from suppliers as they come, without further reference to the Ministry of Co-ordination—which is the department concerned with industrial development. The trust which the ministry appears to have in the honesty of the bankers must be considerable.

The bank's credit to the investor is covered by a first mortgage while the interest-free loan from the government is protected only by a second mortgage, so that the bank can recover its money even if all the government's money is lost.

The relaxed manner in which it is intended to administer the interest-free credits may have something to do with the original proposal that this aid to industrial development should take the form of direct, non-repayable grants.

There is said to be an intention of consolidating the various aids now provided into a single and more transparent subsidy and the EEC Commission is likely to press for this. But the new interest-free credits for regional development will be grafted on to the previous, already complicated system.

These include interest subsidies, reducing to 4 per cent interest payable by the investor in a development region, accelerated write-offs which can be carried forward until taxable profits appear, and other tax and national insurance advantages of considerable magnitude.

Further interesting possibilities for those who have a head for figures (and most Greeks do) were provided by the 1972 Act for Facilitating Mergers. In addition to freedom from all transfer stamps and duties, the revaluation of assets undertaken in connection with a merger can be made free of capital gains tax. However, a 1978 amendment somewhat curtailed the imaginative exploitation of this advantage: depreciation write-offs on the revalued assets are no longer tax-deductible.

In theory foreign investment in Greece does not require any form of official authorisation. In practice, every foreign investor has to come to an agreement with the Ministry of Co-ordination. This is partly in order to benefit from the provisions of legislation enacted for the protection of foreign capital. (This ranks as a Constitutional law, so that its change would require a qualified majority in Parliament.)

The advantages which can be obtained under this legislation include: the freezing of income tax (payable in Greece only on undistributed profits) at the level reached at the time when the investment was made; the lowering of, or total exemption from, a number of other taxes, duties and levies; and the duty-free import of all machinery and equipment for the project. It also provides for the annual repatriation of 15 per cent of the invested capital and of profits up to a total remittance not exceeding 30 per cent of annual export proceeds.

Those who do not want to engage in manufacturing in Greece but to provide services—or to co-ordinate their operations elsewhere from a Greek base—can establish an "offshore" branch or office with the minimum of formalities.

Permits are granted to companies who will bring in at least £25,000 a year in foreign currency. This is probably the minimum required nowadays to maintain even a very modest office in Athens. Indeed, the high costs of running an office in the capital have probably deterred many companies from moving in.

But hundreds of foreign firms have, and run their shipping companies from Piraeus, or operate as marine and insurance brokers, or other types of service, and subject to no other tax than income tax for their employees.

A. H. Hermann

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Krugerrands

I read somewhere recently that tax inspectors were taxing gains in Krugerrands under Schedule D as against capital gains tax. Has this practice been repeated, please? What is the present position?

The possibility that buying and selling krugerrands could be regarded by a body of General Commissioners as an adventure in the nature of trade, in some circumstances, has been mentioned a number of times over the years, in the light of Mr. Norman Wisdom's case. A finding of fact by General Commissioners would not normally be disturbed by the High Court, even though the Court might have come to a different conclusion if faced with the evidence before the Commissioners.

Tax on goodwill

I have a 25 year lease on premises consisting of a launderette as a going concern together with a flat above. I paid £14,000 to the landlord before the lease was granted—£12,000 for the launderette plant and equipment and £2,000 for "Goodwill."

I know that I can claim Income Tax Wear and Tear allowances on the £12,000 but I am not clear as to the £2,000 "Goodwill." Can I treat any part of it as an ordinary business expense?

You are not eligible for any tax relief in respect of the payment for the goodwill of the launderette business. When the business is disposed of, of course, the cost of the goodwill can be deducted in arriving at the chargeable gain on its sale.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

هكذا من الأصل

The quality is the same, but the qualities are different.

If you closely inspect any BMW, from the least to the most expensive, you will immediately discover that the quality of construction and engineering remains the same throughout. It is a quality that is tangible. Every BMW will give that certain sense of pleasure that one gets from something that is beautifully made.

However, the qualities offered by each individual model appeal to different tastes and priorities. The 3 Series BMWs are not stretched small cars, but compact large ones. The 316 has an extremely efficient and economical 4-cylinder engine. The other two in the Series have the new 'small' 6-cylinder engines, one of 2 litres the other of 2.3 litres with fuel injection.

The four door, five seat BMW 5 Series cars offer choices ranging from the 4-cylinder 518 to the 6-cylinder fuel injected 528i with an academic maximum speed of 129 mph. Most 5 Series BMWs can be specified with automatic transmission, air conditioning, electric windows and other luxury refinements.

The BMW 7 Series cars offer three different engine capacities – 2.8, 3.0 and 3.3 litres, the latter with fuel injection. The 'straight six' configuration has often been said to be the most refined and smooth running of engines. In the big BMWs the sophisticated design produces excellent power to litre ratios as well. This, of course, is vital for automatic transmission. However it also makes manual driving a very refreshing experience. The four speed gearbox is a pleasure to use and encourages a very positive and enjoyable style of driving.

The new BMW 6 Series range offers two different styles of high performance motoring. The 633CSiA has its 3.3 litre engine matched to automatic transmission. For those who wish for even more dynamic motoring the 635CSi Coupé has a 3.5 litre engine with a five speed manual gearbox. Both offer the same degree of exceptional comfort and refinement.

And finally the seven models in the BMW range of motorcycles all offer the same superb standard of engineering quality, and a highly functional design that allows easy maintenance and fast servicing.

The best way to appreciate the quality and the qualities of all BMWs is to visit your local BMW Centre. You'll find one to perfectly complement your taste.

Prices: The BMW range of cars.
316: £5,004. 320: £6,335. 320A: £6,772. 323i: £7,400. 518: £6,655. 520: £7,773. 520A: £8,209. 525: £8,891. 525A: £9,373. 528i: £10,115. 528iA: £10,598. 633CSiA: £17,462. 635CSi: £18,740. 728: £11,180. 728A: £11,711. 730: £13,203. 730A: £13,734. 733i: £14,481. 733iA: £15,012.

The BMW range of motorcycles.
R45: £1,699. R65: £1,999. R80/7: £2,199. R100T: £2,499. R100S: £2,799. R100RT: £3,099. R100RS: £3,199.
(Prices correct at time of going to press. Source of figures: BMW.)

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LOMBARD

How to measure incentives

BY PETER RIDDELL

THE Confederation of British Industry has made itself look rather ridiculous over the last week in trying to demonstrate that it members are already responding to "the stimulus given by the Budget." Sir John Methven, the CBI's director-general, has claimed that "industry is ready to meet the challenge of current economic difficulties with positive action."

Sir John cites the examples of GKN which has withdrawn an application for Government aid and of Dawson International which showed eagerness would put even Samuel Smiles to shame. Dawson states that "company car policy is being altered downwards. Senior executives must work harder and be seen to work harder. We all know the late starters and early finishers within our business. Start phoning them on Saturdays and Sundays and at 8 am."

Serious

This is all so much poppycock but it does raise the serious question of how, and when, it will be possible to measure the impact of the Budget. Unlike the 1970-74 era the Government is not seeking to affect the level of demand but, in Sir Geoffrey Howe's now familiar words, it is trying to influence "the supply side of the economy."

One of the snags about this approach is that it takes some time for there to be a noticeable, let alone a measurable, impact on economic performance. Sir Geoffrey Howe has compared the task of halting Britain's decline to turning round a super-tanker and has said the impact of the Budget should be judged over the whole lifetime of the Parliament. This makes much more sense than the CBI's instant exaggeration and it may take even longer to assess whether any real change of direction is occurring.

It is misleading to look at total output. That was the mistake of the going-for-growth (or bust) experiment of 1972-73 and led to all Mr. Heath's recriminations about industry's failure to invest. It might be possible to look at Britain's productivity record over 15 to 20 years and then form some tentative conclusions.

A flip answer is that we will know when we are there—which presumably means when British entrepreneurs and workers are like those in West Germany and Japan. But the Conservative experiment in reviving capitalism aspires to be more than just an act of faith and rests on certain testable hypotheses about human behaviour.

If one wants to see early signs of a shift—as both politicians and voters will—it is necessary to look at the mechanism by which incentives are supposed to work. There is, for example, little dispute that raising personal income tax allowances will have a generally beneficial impact at the bottom end of the scale. Moreover, a reduction in the overall tax burden—though not necessarily a shift from direct to indirect taxes—may help by curbing inflationary pressures. There is some evidence that pay claims have been stimulated by rising taxation over the last 20 years as workers have sought to maintain and raise post-tax incomes.

The key point, however, is the effect of tax cuts on improving the performance of managers and entrepreneurs. The empirical evidence is inconclusive since motivation and performance are not simply matters of money. It is quite possible that senior managers at, say, ICI or Marks and Spencer will not work any harder than they already do. But the income tax cuts may encourage managers of sleepier companies to be more energetic, either at work or on the golf course.

Real test

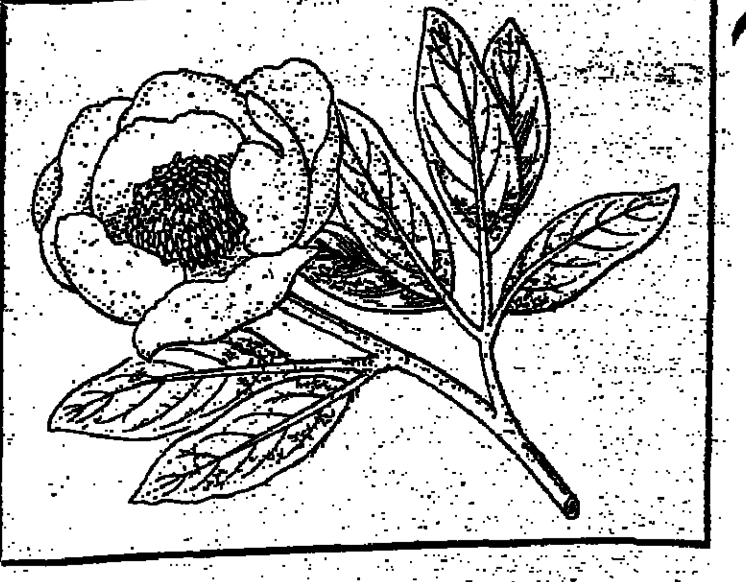
It is possible that income tax cuts will allow senior managers to build up capital with which they can either set up on their own or finance friends, as happens on a wide scale in the U.S. Similarly, the reduction in higher marginal rates will increase the post-tax rates of return in unincorporated businesses which could encourage both expansion and the formation of more firms.

If the tax cuts do work in this way the impact should be measurable by statistics on company formation. But perhaps the real test of whether Britain's businessmen have been galvanised into full-blooded capitalists will be when there are signs that acceptance of higher rewards is matched by acceptance of higher risks. A few boardroom shake-ups and the sacking, rather than just quiet retirement, of top executives, would be real evidence of such a change—"*pour encourager les autres.*"

The best of paeonies

GARDENS TODAY

BY ROBIN LANE FOX



UNTIL LATE July, flowers are at the mercy of the weather. After that, they toughen up. Bedding plants and dahlias are well up to an August storm. Nothing spoils a buddleia. But roses, delphiniums and irises are more vulnerable. The flowers on a paeony are the easiest prey. Either the sun is too hot, so they fade and drop off quickly. Or the rain knocks them apart. A pleasant life could be spent, most years, in making oneself free for the paeonies' best hours. They soon pass and you never know when they will fall. But this year, it has been different. The sun has been moderate. There has been little rain. I have seen some paeony exhibits and borders which widen any view of the family's claims. In their third year after planting, 1983, they *could be magnificent anywhere.*

You are advised to buy from a specialist because their range of colour is the most enticing. Kelway's, the Royal Nurseries, Langport, Somerset, still lead the field. Their large stocks cover any need and at about £1.50 each, delivered, these long-lasting shrubs are hardly an expense. The tree paeonies are more exotic, but are worth their £5.50 a time. They are *not always the most reliable,* but as they are the loveliest, I will begin with them.

The flowers on a tree paeony are unmistakeably eastern. They are ruffled and crumpled like a fine silk robe. They have a texture to the petals which I associate with a mandarin's official dress. There is an elegant line to their green and grey-green leaf, a heaviness to their flower and a richness to their gold centres which put them in the highest class. I presume that these were the sorts of paeony which cultured Japanese courtiers used to sketch, view and honour with poems at a time when most western gardens had not progressed far beyond gravel and evergreens. But in gardens, they have a way of fading out quite suddenly. I think that there is a sort of wilt which can upset them in their early years. But if they go beyond that, they are always superb and quite healthy.

Two yellows are the dream of any paeony-grower, not the species yellow whose single flowers are disappointing, but the hybrid Chromatella and Souvenir du Maxime Cornu. These are crosses between the ruffled flowers of the Moutan group and the vigorous plain lutea. Chromatella bowled me over at Chelsea show. Its large rounded flowers are fully double, the prettiest shade of sulphur yellow marked with pale pink. They are as heavy as a begonia. Maxime Cornu is unspeakably elegant. She is a brighter yellow, less heavy in flower and leaf. The clearer rose-pink edging makes her almost seem to be fringed. Be sure to sample her deep scent, something which too many paeony-growers overlook. Pale lilac Montrose and the lovely white Mrs. William Kelway are the Moutans with which I would match her. They are all quite early-flowering, from the second week in May onwards in my average site and climate.

These exquisite plants do not like to be too hot. They are all sold as grafted stock, so it is essential that you study the stem carefully and plant the grafted point below the level of the soil. This is most important. Otherwise, avoid heavy animal manure and simply feed them with chemical fertiliser, Gromore and the like. It is common wisdom that you should try to place them away from the early morning sun, something which *you can easily contrive* below a west wall in a town where they are such superb value. These paeonies are likely to be touched by late frosts and the conjunction of frost and early sun can spoil them. If I had a small town garden where I lacked full sun and wanted only the most exquisite plants, I would go for two or three of these paeonies, feed them and underplant them with the scented lily of the valley.

The herbaceous paeonies, their cousins, are the ones which you all know best. The tree paeonies should never be cut down to the ground in winter, a fatal mistake. But these herbaceous ones are treated like any other border plant. You cut them down in autumn. When they start to grow again in spring, they come back at you with that blood-red growth which is as bright as many flowers on a spring daffodil. They like lime and are equally happy in sun or shade. I have come to believe that the single-flowered varieties last longer in half-shade. The double ones fade in hot sun, but hold their petals longer. Which, from a bewildering list, would you do best to buy?

Season and colour vary, so it is worth spreading the net wide. I think that it must have been a *crimson-rose herbaceous* paeony from which the doctors in Roman armies used to extract a primitive anaesthetic in order to dull the wounded while they tugged them back into shape. This basic colour is still the dullest and not worth the space. Instead, I would choose the cream-pink, Sarah Bernhardt in silver-pink, the large and late Miss Eckhardt in silver-rose, Albert Crousse in shell-pink, Duchesse de Nemours in white and the fine deep crimson Inspector Lavergne whose ruffled mass of petals is lightly edged with silver. All these are the better for feeding with liquid manure and mulching with leaf-mould.

There is only one trap into which those who *do not read* their F.T. will often fall. Be sure not to plant your stock too deeply. The soil will settle down after you have buried the crown and the roots, but it should not settle down to more than two inches above the crown's upper surface. If you bury your plants too deeply they will fail to flower. Otherwise, be sensible about the food which you give them. Do not smother the young stems with a heavy top-dressing. They like bone-meal or rotted manure, but this should be forked round them, not through them.

There are others, the single-flowered group, in which the cherry-red Peregrine is quite exceptional, and the bi-coloured Imperial group of which I am less fond. They all leave you with one problem, the long gap after their season in June. The happiest match still seems to me to be lilies, the white regales for July and the easy tall orange henryi for August. Both plants like similar conditions. The right sort of lilies also like lime. By pairing them, you can balance out their weaknesses, short season in one, a flimsy shape in the other, and enjoy the best of both worlds.

Piggott can win on Columnist

RACING

BY DOMINIC WIGAN

AN EVENING meeting at Kempton is usually well worth attending in fine weather and I expect plenty of racegoers at the Sunbury track for tonight's opening Larch Stakes.

Lester Piggott—seldom seen night racing these days—will be in action, on Columnist among others.

This stable mate to Alia, who provided Jeremy Tree with another winner at Windsor on Monday evening, has shown himself a smart juvenile on both his appearances. The short-*head victim of One No Trump* in a 19-runner division of Newbury's Kennett Maiden Stakes on June 14. Columnist—a bay Swing East colt out of the Malicious mare, Namecaller—went one better in a similar event at Salisbury a fortnight later.

Sent into the lead a furlong and a half from home in the second division of the Shrewton Maiden Stakes, Columnist, a surprisingly uneasy third favourite, won by two lengths from Whitehall Bridge.

His time of one minute 15.7 *seconds (almost identical to that* achieved by Roehampton in the other division) was a poor one on the fast ground. But Whitehall Bridge has since proved there was nothing wrong with the form. Backed as if defeat was impossible in Newmarket's July meeting, the Hern juvenile proved far too good for all but a possible 1,000 Guineas candidate: Hurdy-Gurdy's daughter, Vielle.

Columnist, a Jock Whitney owned colt with plenty of improvement still in him, can take the Willow Stakes, won a year ago by Fla-Mana-Mou, by outpacing Warren Place's easy Doncaster winner, Suavity.

Henry Cecil and Joe Mercer are unlikely to leave Kempton empty handed, whatever their fate with Suavity (who is a bay *son of that brilliantly precocious* two-year-old of some 10 years back, Smooth), for Daniel Wildenstein's Tahitian King has been showing to good advantage in recent gallops. I feel he will outpace Count Carlos, blinkered for the first time, in the Poplar Maiden Stakes.

Ryan Price and Brian Taylor can follow up their victory with Slip The Ferret in last year's Larch Stakes. This time Go *Lightly represents* Findon.

KEMPTON

6.40—Go Lightly**
7.05—La Piccolina
7.30—Nurose
8.00—Tahitian King***
8.30—Lucky Man
9.00—Columnist*

TV/Radio

† Indicates programme in black and white.

BBC 1

7.05-7.55 am Open University (Ultra high frequency only). 10.55 Golf: The Open, and Cricket—*The Gillette Cup—Kent v. Lancashire*. 1.30 pm Barnaby. 1.45 News. 1.55 Golf: The Open. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Vision On.
5.10 Go With Noakes
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 1979 Royal Tournament.
7.40 The Liver Birds.
8.10 The Omega Factor.
9.00 News.
9.25 Royal International Horse Show.
10.45 Medical Express.
11.15 The Music Makers (Dave Brubeck).
12.05 am Weather/Regional News.

All Regions as BBC-1 except at the following times:

SCOTLAND—9.40 am Magic Roundabout. 9.45 Jackanory. 10.00 *Felix the Cat. 10.10 The Boy From 5B.* 10.35-10.55 Take Hart. 5.55-6.20 Reporting Scotland. 12.05 am News and Weather for Scotland.

WALES—5.10-5.40 pm Bilidowcar 200. *5.55 Wales Today.* 6.20 Heddiw. 6.50-6.55 Tom and Jerry. 10.45 Troi'r Dail. 11.15 Bowls: 1979 British Isles Championships. 11.45 News and Weather for Wales.

NORTHERN IRELAND—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
1.50 pm Cricket—The Gillette Cup: Kent v. Lancashire.
4.00 Golf: The Open and Cricket.
6.55 Adventure.
7.45 Mid-evening News.
7.55 Mother Nature's Bloomers.
8.30 Seven Artists.
9.00 My Music.
9.25 The Wooldridge View.
10.15 Rugby Union: New Zealand v. France.
10.45 Golf: Open highlights.
11.25 Late News.
11.40 Cricket: Kent v. Lancashire highlights.

LONDON

9.30 am A Place to Live. 9.45 Au Travail! 10.05 Farmhouse Kitchen. 10.30 Australian Lizards. 10.50 Family. 11.40 Rocket Robin Hood. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 Emmerdale Farm. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Afternoon plus At Home. 2.25 Feature Film: "Appointment in Honduras." 3.50 Definition. 4.20 The Sooty Show. 4.45 Enid Blyton's Famous Five. 5.15 Batman. 5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 Don't Just Sit There.
7.30 Coronation Street.
8.00 "One More Train To Rob."
10.00 News.
10.30 Murder At The Wedding.
11.30 Crits, presented by Chris Dunkley.
11.45 Barney Miller.
12.15 am Close: Personal choice

All IBA Regions as London except at the following times:

ANGLIA

10.35 am All Snails and Sauerkraut. 11.00 Thingummyjig. 11.25 The Southerners. 11.50 Cartoon Time. 1.25 pm Anglia News. 2.00 Houseparty. †2.25 Mr. and Mrs. 6.00 About Anglia. 8.00 "Two Rode Together," starring James Stewart. 11.30 Power Without Glory. 12.30 am The Big Question.

ATV

9.15 am Something Different. 10.30 Here Comes Mumfie. 10.40 The Nature of Things. 11.35 The Lone Ranger. 1.20 pm ATV Newsdesk. †2.25 "The Angel Who Pawned Her Harp" 5.15 Sam. 6.00 ATV Today. 8.00 The Midweek Film: "Murderers Row." 11.30 Have Girls, Will Travel.

BORDER

10.35 am All Snails and Sauerkraut. 11.00 Stars On Ice. 11.25 The Southerners. 11.50 Cartoons. 1.20 pm Border News. 2.00 Houseparty. 5.15 The Flintstones. 6.00 Lookaround Wednesday. 8.00 Film: "There Was A Crooked Man," starring Kirk Douglas and Henry Fonda. 11.30 The Andy Williams Show. 12.00 Border News

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where 5.15 Little Vic. 6.00 Channel News. 6.10 One Man's Music. 8.00 Feature Film: "There was a Crooked Man." 10.28 Channel Late News. 11.30 The New Avengers.

GRAMPIAN

9.25 am First Thing 10.35 All Snails and Sauerkraut 11.00 Thingummyjig. 11.25 The Southerners 11.50 Cartoon Time. 1.20 pm Grampian News Headlines. 5.15 Wild, Wild World of Animals. 6.00 Grampian Today. Farming News 6.10 Laverne and Shirley. 8.00 Feature Film: "Bequest to the Nation," starring Glenda Jackson, Peter Finch and Michael Jayston. 11.30 The Child Wants A Home. 12.00 Reflections. 12.05 am Grampian Late Night Headlines.

GRANADA

10.30 am Tarzan. 11.15 Clapperboard. 11.40 The Beatles. 1.20 pm Cartoon. †2.25 "*Calling Bulldog Drummond.*" 5.10 The Undersea Adventures of Captain Nemo. 5.15 Crossroads. 6.00 Granada Reports. 6.30 The Squirrels. 8.00 The Midweek Film: "Bequest to the Nation." 11.30 S.W.A.T.

HTV

10.30 am All Snails and Sauerkraut. 11.00 Thingummyjig. 1.25 The Southerners. 11.50 Waltz of the Flowers. 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. †2.25 "The Angel Who Pawned Her Harp." 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 The Lovers. 8.00 "The Biggest Bundle of them All," starring Robert Wagner and Raquel Welch. 11.30 Celebrity Concert.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.20-4.45 'Rydw i am Fod. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.25-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.30 am All Snails and Sauerkraut? 11.00 To the Top. 11.25 The *Southerners. 11.55 Cartoon 1.25 pm* News. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today — Summer Extra. 6.30 A Fine Fantasy. 8.00 Feature Film: "There was a Crooked Man." 10.28 Scottish News Headlines. 11.30 Late Call. 11.35 The Entertainers

SOUTHERN

10.30 am All Snails and Sauerkraut? 11.00 Thingummyjig. 11.25 The Southerners. 11.55 Melotoons. 1.20 pm Southern News. 2.00 Houseparty. †2.25 "The Angel Who Pawned Her Harp." 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day Special—Polo from Cowdray Park. 8.00 "Guns for San Sebastian." starring Anthony Quinn. 11.30 Southern News Extra. 11.40 George Hamilton IV.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.30 All Snails and Sauerkraut? 11.00 Thingummyjig. 11.25 The Southerners. 11.50 Cartoon Time. 1.20 pm North East News and Lookaround. †2.25 "*Calling Bulldog Drummond.*" 5.15 The Brady Bunch. 6.00 Northern Life. 8.00 The Midweek Film: "There Was a Crooked Man," starring Kirk Douglas. 11.30 Police Woman. 12.30 am Epilogue.

ULSTER

10.30 am All Snails and Sauerkraut? 11.00 Thingummyjig. 11.25 The *Southerners. 11.50 Cartoon.* 1.20 pm Lunchtime. †2.25 "Calling Bulldog Drummond." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Look and See. 6.30 Flintstones. 8.00 Feature Film: "Kidnapped," starring Michael Caine, Trevor Howard and Jack Hawkins. 11.30 Take the Mick. 11.55 Bedtime.

WESTWARD

10.35 am All Snails and Sauerkraut? 11.00 Thingummyjig. 11.25 The Southerners. 11.50 Cartoon. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Little Vic. 6.00 Westward Diary. 8.00 Feature Film: "There Was A Crooked Man" *starring Kirk Douglas and Henry Fonda.* 10.28 Westward Late News. 11.30 The New Avengers. 12.25 Faith for Life.

YORKSHIRE

10.30 am Moby Dick and Mighty Mightor. 10.45 Alright Now. 11.10 Young Ramsey. 1.20 pm Calendar. †2.25 "Calling Bulldog Drummond." 5.15 Out of Town. 6.00 Calendar (Emley Moor and Belmont editions). 8.00 "There Was A Crooked Man." 11.30 The Odd Couple. 12.00 Entertainers.

RADIO 1

(S) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 6.00 Andy Peebles. 9.00 Simon Bates. 11.00 Radio 1 Roadshow. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.00 Peter Powell. 4.31 Kid Jensen. 7.00 Radio 1 Mailbag. 8.00 Mike Read 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (S). 7.32 Terry Wogan (S). 10.05 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Derek Hobson's Open House (S). 2.15 David Hamilton (S). 4.15 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (S). 6.45 Sports Desk. 7.02 The Organist Entertains (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.15 The Magic of the Musicals (S). 9.03 Noël (S). 9.55 Sports Desk. 10.02 The Impressionists. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Sports Desk. 11.05 Brian Matthew with Round Midnight, including 12.00 News. 2.02 am-5.00 *You and the Night and the* Music with Richard Clegg (S).

RADIO 3

‡6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composers: The Wesleys (S). 9.35 York University Concert with introduction, part 1 (S). 10.35 In Short (talk). 10.45 York University Concert, part 2 (S). 11.25 Music for Organ (S). 12.00 French National Orchestra (S). 1.00 News. 1.05 Music for Voice and Viol Consort (S). 1.50 Nash Ensemble *Concert, part 1* (S). 2.35 Interval Reading. 2.40 Concert, part 2. 3.20 Fifty Years of British Music (S). 4.40 Janacek. 5.10 Young Music Makers (S). 5.25 Homeward Bound ‡5.45 News. ‡5.50 Homeward Bound. ‡6.15 At Home. 7.10 Pergolesi chamber music (S). 7.30 Choral and Orchestral Concert, part 1: Chaikovsky, Walton (S). *8.20 The Arts Worldwide.* 8.40 Concert, part 2: Britten. 9.35 Tokyo String Quartet play Haydn (S). 10.00 Mind, Matter and Mechanism. 10.45 Leon Goossens, concert. 11.00 Reger and Pfitzner Songs (S). 11.55-12.00 News.

VHF only—6.00-7.00 am and 6.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Gardeners' Question *Time. 9.35 God in my Language.* 10.00 News. 10.05 The Living World. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Magic of Music (S). 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 I'm Sorry I Haven't a Clue (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News 3.05 Afternoon Theatre (S). 3.50 Choral Evensong (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Enchanting World of Hinge and Bracket (S). 7.00 News. 7.05 The Archers. 7.20 Let's Get This Settled. 7.45 Lifelines in Medicine. 8.45 What a Song and Dance. Account of the Llangollen International Musical Eisteddfod. 9.30 Kaleidoscope. 9.59 Weather 10.00 The World Tonight. 10.30 Round Europe Quiz. 11.00 Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time. 1.05-5.00 Join Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am *Night Extra.*

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Ian Davidson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,024

ACROSS

1 Mothers' Union initially gets less in return for fish (6)
4 Pig in its own fat left at sea (8)
9 Stationary white specks on television (6)
10 Inquire about expedition I get on (8)
12 Vision? Yes seen in crew! (8)
13 Mass of lies in paper (6)
15 End of money receiver in period of time (4)
16 Supply weapons to old fellow for the final battle (10)
19 Inexperienced person to throw round ridge (10)
20 Iron left in young animal (4)
23 Quarrel in Indian lunch (6)
25 Tying up person about to make a wager (8)
27 Wine with mixed diet in old festival (4-4)
28 Hoon in iron border (6)
29 Female guardian in battle attire (8)
30 Finish with appendage and arouse affection (6)

DOWN

1 Daisy in my upper hand (7)
2 Deadlock on board for jaded spouse (9)
3 Extract from counsel I cited (6)
5 A queer flower (4)
6 Fish I catch in cradle (8)
7 Unsuitable for a young lady (5)
8 Church dignitary holding a *part of the bible* is austere (7)
11 I must leave choir and drink in hymn tune (7)
14 Rope for an artist (7)
17 Delay over Danish capital union (9)
18 Silver paper thrown away is sparkling (8)
19 Well trained to masticate polecat (7)
21 Insect to tolerate but it's a nuisance (7)
22 Customer takes no part amiss (6)
24 Turn right for an affront (5)
26 Mid-March in Rome and in mid-Essex (4)

Solution to Puzzle No. 4,023

Across: RECESS, CATSUP, OUTSTAY, HASHISH, DELIBERATE, LIED, GORSE, HIGHRISE, CANISTER, ALTER, MESH, SNAPDRAGON, PINBALL, DOWAGER, ESTATE, AMULET

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FINANCIAL TIMES SURVEY
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Vans and Light Trucks

Pressures on manufacturers to think in international terms and polarisation of the market at various weight levels are creating a more structured approach to the ranges of light commercial vehicles offered. The market is a difficult one in which the customers are interested mainly in practicalities — the right vehicle at the right price.

A battle against high costs

By Kenneth Gooding
Motor Industry Correspondent

TWO TRENDS in particular have been discernible at the light end of the commercial vehicle market for some time now and they have become even more clear in the past two or three years.

The first is the movement towards an international approach by the manufacturers—or at least for the European producers to see the EEC as one market. The other is the polarisation of demand at various important weight levels.

In the vans and light trucks sector the levels are 3.5 tonnes gross vehicle weight—the weight above which owners must have an operators' licence—and 7.5 tonnes gross vehicle weight—the weight above which the driver must hold a heavy goods vehicle (HGV) driving licence.

The trend towards a truly common automotive market is well-developed for passenger cars and heavy trucks. But lighter commercial vehicles resisted the movement much longer.

Vans, after all, are short-haul, local delivery vehicles and it made sense to keep on manufacturing them for the particular needs of particular local markets. For example, Fiat still sells 30,000 a year of its three-wheel vans in Italy and in the southern part of the country they frequently can be seen flogging along at a steady 15 mph with a one tonne gross weight.

The pressures which are forcing the manufacturers to think in international terms even for light commercial vehicles are the same, endemic features affecting today's total automotive business: costs are tremendously high and only when a vehicle is produced in some volume can the maker expect to collect a reasonable return on his investment.

On the marketing front, vans in particular are being treated increasingly as significant parts of a manufacturer's range. They give the dealer networks a wider spread of activity and help to boost unit throughput in the dealer outlets—a highly-important element in the business today.

Ironically, although the theory behind internationalism can hardly be faulted, in practice it has not worked out too well so far.

When demand for light commercials is high usually there is healthy economic activity all round—which means car sales are also buoyant. At such times, commercials become a nuisance. Car-derived vans take up space on production lines which could be filled instead with passenger cars which create more profit. Other light commercials draw on common parts, assemblies and engines used in cars and so their production also affects car output at times of heavy demand.

At the same time the commercial vehicle market is not like that for cars which are consumer durables subject to the public's whims and current fashions. Customers for commercials are mainly interested in practicalities. And prices are important. So it is difficult to make a decent profit even in the good times. When the going gets rough and even more competitive, it is hard for the manufacturer to break even on the original sale of a commercial vehicle.

Practical

It is the customers' interest in the practicel side of life which has led to the polarisation of the market. They look for a vehicle which will do the most for them, in terms of payload and space, without getting them into the extra expense and trouble either of taking out an operator's licence or hiring professional drivers with HGV licences.

Consequently, sales at the lighter end of the commercial vehicle business are heavily oriented towards the 3.5 or 7.5 tonne levels.

To quote one example, Dodge, the trucks subsidiary of Chrysler Europe, reckons that half its vehicle sales in the 3.5 to 7.5 tonnes part of the UK market will be at just under the 7.5 tonnes level.

That leaves little volume in between for the manufacturers to go for—and many other parts of Europe are the same. So the tendency will be for manufacturers to develop ranges where they can bring truck weights down to just below the 7.5 tonnes point and vans which go above 3.5 tonnes.

Using Ford as the example this time, the industry expects the group to drop before long its "A" series vehicles designed for the 3.5 to 7.5 tonnes sector but which has not sold in very high volume. Instead, observers suggest, Ford could develop the next-generation Transit van and take it up the weight scale, while bringing the "D" series trucks into the below-7.5 tonnes part of the market.

Since it was first introduced in 1965 Ford's Transit has become the best-selling single model in Europe's commercial vehicle business. A redesigned version appeared in 1978

There is another good reason why manufacturers will offer shorter ranges and fewer derivatives in future. Forthcoming EEC legislation, coupled with national requirements, will leave them with little room for manoeuvre on the types and variations they can offer. At the same time the manufacturers are having to put so much development and engineering effort and cash into meeting the legislative requirements that they have comparatively little left over for bringing entirely new concepts to the market place.

There are exceptions to most rules, of course, and it so happens that in West Germany there is more activity than in most other countries in the 3.5 to 7.5 tonnes part of the market.

For that reason MAN (Maschinenfabrik Augsburg-Nuremburg) and Volkswagen are jointly developing a new range of trucks in the 6 to 9 tonnes range. These vehicles will be launched in September. VW has already introduced the replacement for its Transporter—the original version of which lasted 30 years—and before that the *LT* range which goes from 2.8 to 5.5 tonnes.

The MAN products start at 10 tonnes, so the joint vehicles—made from components supplied by both partners—fill the gap. The two groups are also putting their marketing efforts in the commercial vehicles field together.

The other recent newcomers in the 3.5 to 7.5 tonne sector come rather surprisingly from Dodge in the UK. The Dodge 50 range was developed because the UK Government insisted on it in 1975 at the time it pumped £162m into Chrysler UK (Dodge's parent concern) to prevent financial collapse.

Dodge reckons that sales in this market segment in the UK are running at about 21,000 a year (and likely to continue at that level) and it can capture a 20 per cent market share by 1983. On top of that the Dodge 50 series provides vehicles with export potential, unlike the Walk-Thru and Bantam models it replaces.

The main product activity in recent years has been in the middle area of specially-designed vans of around 3.5 tonnes. Apart from the previously-mentioned new LT from Volkswagen, its West German neighbour Daimler-Benz has replaced its long-serving Bremen model while Fiat launched the Daily (also known as the OM Grinta in some continental parts).

Fiat also has a joint venture with Peugeot of France—the company is called SEVEL—which in the early 1980s will produce competitors to the Transit and Bedford CF which have done so well in Italy and provided Fiat with the incentive to do something to retaliate.

The Italian group has also made moves to provide some home-grown competition in the car-derived van market in Italy. Over the past three years Fiat's light commercial interests have been gradually pulled together—into a concern with a L350bn (£193m) turnover. This company has launched a successful new car-derived ban, the Fiorino, and there will be more introductions to follow.

The European demand for car-derived vans is estimated by some experts to be 300,000 a year and they believe it will remain at something like that level for two years before gradually building to somewhere between 350,000 and 360,000 by the mid-1980s.

The biggest growth potential apparently lies with commercial vehicles up to 3.5 tonnes gross weight. Estimated to be running at 500,000 a year for Europe as a whole, it could well rise to 700,000 a year by the middle of the next decade. In this context, many manufacturers see France as an untapped market for these vehicles and the Southern European markets—including Italy—also offer great potential.

Statistics for the 3.5 to 7.5 tonnes sector are difficult to come by because of the complexity of types of vehicles and derivations. But manufacturers generally agree that not much growth can be expected in Europe for the medium term at least.

The industry also points towards two further trends which can be expected to follow in the wake of the current hiccup in oil supplies and the steep price increases.

Demand for diesel engines rather than the petrol variety should grow more rapidly and the signs are that the continental manufacturers will be able to cope with this extra demand.

Then customers will be looking for vehicles which give them the maximum possible space within the weight categories.

Designers will have to concentrate on this marketing aspect while at the same time keeping within the limits increasingly imposed by EEC rules and regulations.

Diesels a finely balanced choice

BRITAIN NEEDS more diesel vehicles. That is the firm opinion of the Advisory Council on Energy Conservation, which points out that because of mis-matching of domestic demand with refinery output, Britain is a net importer of petrol, but a net exporter of diesel oil.

The situation has not been helped by the Liberal-inspired amendment after one of Mr. Healey's later budgets, which removed 5p per gallon duty from petrol, but forgot to take it off diesel. As a result, Britain became unique: the only country where diesel cost noticeably more than high-grade (four-star) petrol.

Now Sir Geoffrey Howe has put 7p per gallon on petrol and rather more than redressed the balance. Economic sense reigns once more. Assuming that prices remain stable, at least as far as the differential between petrol and diesel is concerned, light commercial operators are bound to consider diesel vehicles more seriously.

Understandably, the manufacturers who offer diesel vehicles as part of their range emphasise the most obvious advantages: better fuel consumption and longer engine life. It is left to the customer to work out the extra cost from the price list, and to take account so far as he can of the attendant disadvantages of running a diesel.

For the most part, light vans drivers would prefer to be petrol-powered. Diesels are rough and noisy by comparison, and performance limited. In some cases manufacturers try to narrow the performance gap by installing a bigger diesel engine, but in doing so they also narrow the fuel consumption gap and add extra weight.

The diesel's fuel consumption advantage is at its greatest in certain kinds of running. Unlike the petrol engine, which is at its most efficient in full-load, full-throttle operation, the diesel reaches peak efficiency at part-load, typically about 70 per cent of its maximum output. The diesel is therefore substantially more economical in stop-start town driving, while a petrol vehicle can make up a great deal of the difference when cruising on motorways at 70 mph.

This is not to say that the type of operation envisaged should play a major part in the final choice of petrol or diesel. Operators point out that longer-distance vehicles cover a greater distance in the working year, so that even though their diesel economy advantage may be smaller, the gain in fuel cost over the year can be just as great.

A typical fuel cost saving for a 1-ton van might be £500 a year: more than enough to offset the interest on capital employed given that the diesel version might have cost £500 more to begin with.

Drivers' opinions apart, diesels have one other important factor working against them, and that is the need for more frequent routine maintenance. The diesel engine, working as it does at very high compression ratios, places greater loads on its bearings: to avoid mechanical trouble, its lubricating oil must be kept much cleaner than in a petrol engine.

Filters

This leads to the fitting of more complicated and expensive filters, and to manufacturers recommending more frequent oil and filter changes for their diesel vehicles, sometimes twice as often as for the petrol-engined equivalents. For a longer-distance van this might amount to a service and oil change every other week, with all that implies in direct costs and down-time.

On the other hand, given scrupulous maintenance, diesel engines justify their reputation for seemingly endless life. Indeed, for some vehicle manufacturers and operators, the problem is to make the running gear and body last as long as the engine.

Generally, vehicles are written down to nothing over three or four years or 100,000 miles, whatever comes first; most petrol engines are well worn by this time. In theory the diesel is capable of running, at the most conservative estimates, another year or 50,000 miles.

If this is reflected in writing-down policy it can make a big difference to overall operating costs, offsetting the extra cost of maintenance. On the other hand, an extended operating period may see higher costs of general vehicle maintenance in an attempt to keep the chassis roadworthy for as long as the engine lasts. That there are problems in this area is reflected by the low resale values for high-mileage diesel vehicles.

This factor apart, some operators see the picture as finely balanced and point to the more specialised facilities needed for diesel maintenance: workshop cleanliness is vital if fuel injectors and pumps are to be serviced, for instance.

Diesels need bigger batteries for reliable cold starting, a minor factor in itself but one which can help tip the scales when a decision hangs in the balance. If fuel stocks are held on the premises, the adoption of diesel as part of the fleet will mean the provision of separate tanks, with the risk—and it does happen—of vehicles being fuelled from the wrong pump.

Such considerations weigh heavily with the existing market for light commercial vehicles. The Ford Transit continues to take the major share in the 1-ton range, and its experience is typical. In 1978, only 19 per cent of its sales were diesel, and for the first few months of 1979 the trend was downwards. It is as yet too early to say if the movement has been arrested by the Budget changes, but opinion is that a major change in the diesel's fortunes is unlikely.

In the longer term, light commercial diesels may gain much from the current interest in diesel-powered cars. A few years ago these were more or less confined to Peugeot and Mercedes, but are now offered also by manufacturers as diverse as Alfa Romeo, Citroen, Fiat, Opel, Volvo and Volkswagen.

For these applications, naturally, engineers have concentrated on improving performance and also on making the engines behave more like petrol units in terms of throttle response and less abrupt cut-off at the rev limit. In other words, much of this work could help to overcome the traditional reluctance of light van drivers to accept the diesel.

Meanwhile Mercedes and Peugeot have themselves undertaken further developments, including the use of turbo-charging to boost power output without significant weight penalty. Other manufacturers have been content to seek more power by increasing engine capacity, again without adding weight. This approach has been adopted by Citroen and Opel.

There remains the vexed question of exactly how a particular diesel model can be compared with one which is petrol-engined. Engineers and economists continue to argue over the factors involved.

It is certainly not practical to compare models with the same engine capacity, because the diesel is then inferior in power and torque, yet carries more weight. It is much better to compare a diesel model with a larger-capacity engine where this is available: the power may still be inferior, but torque is likely to be much improved and this is what counts where acceleration is concerned.

Against this, the weight penalty will be greater and the difference in fuel consumption will be smaller. It is perhaps little wonder in the face of such a complicated assessment that the smaller operator has tended to stay with petrol engines and assume that diesels are best suited to heavy lorries.

There is certainly some way to go before the diesel manufacturers can make out a convincing overall economic case for their product in many operating environments. That could all be changed, as it has been in many other countries, by a much wider tax differential between petrol and diesel fuel, though one would hope that the authorities eventually will see the wisdom of adjusting the differential to encourage the optimum refining "split" between the two.

Jeff Daniels

Ford's new Fiesta light van is based closely on the Fiesta car and is made in Spain

Car-derived vans bring a price saving

THE EUROPEAN markets which favour car-derived vans are Denmark, France, Ireland, Spain and the UK. And in all these markets there are significant tax advantages if you buy a van rather than a car. So whereas many customers in small businesses would prefer the estate car (or station wagon in American parlance) they finish up with a car-derived van because of the retail price.

In Britain and France the VAT advantage in purchasing a car-derived van is 15 to 17 per cent. There is a 27½ per cent benefit in Ireland while in Spain it is something between 4.5 and 9 per cent. Denmark is the odd country out because there is no tax advantage there.

The European markets take about 300,000 car-derived vans a year. Not much growth is forecast in the short term, perhaps for the next two years. In particular some of the steam in the UK market should subside.

Last year UK registrations of car-derived vans and pickups jumped 12 per cent to 72,430 in 1977 to 81,143. But, as happened with cars, the UK manufacturers were unable to benefit fully from the buoyancy of demand because they simply could not produce enough vehicles.

As a result, imports in this sector rose a mighty 42 per cent from 11,638 to 16,565 last year while UK-assembled vehicles could manage a mere 6 per cent increase from 60,792 to 64,578.

The decline of the UK manufacturers' position is certainly connected with changes in dealer organisations. In the car sector there has been shown to be a positive correlation in the reduction of the UK manufacturers' networks (Ford and BL implemented similar policies of rationalising the networks) and the fall in British-produced car sales. Similarly, imported vehicle sales have risen in line with the expansion of dealer networks.

Since car-derived vans and pick-ups are distributed alongside cars, and since many of these organisations have been adding them to their model ranges, there has been an inevitable swing towards importers. The question is: Need it have been such a big swing? Four years ago importers controlled under 9 per cent of the car-derived van and pick-up sector. Last year they had more than 20 per cent.

The similarity with the car market continues the deeper you dig. For "captive" imports those brought in by companies with traditional assembly bases in the UK—accounted for a high proportion of the total.

For some time Chrysler UK has been the biggest seller of imported car-derived vans and pickups simply because all those sold with the Dodge name (the label Chrysler puts on its commercial vehicles and trucks) come to the UK from France—there they are known as the Simca 1100 vans.

The arrangement pre-dates the acquisition of Chrysler Europe by PSA Peugeot but it has some merit and is hardly likely to be changed by the new owners.

When the Chrysler Europe commercial vehicle range was rationalised, Chrysler UK was given the sole production rights to some larger vehicles and in return gave up production of car-derived vans and pick-ups.

Last year Dodge van sales in this sector fell from 4,185 to 3,589. It remained the largest single importer, but only just.

The main import competition came from a newcomer in the market—Ford of Spain. Imports of the Spanish-built Fiesta van shot up to 3,850 in the first year they hit the UK market. Chrysler-Dodge and Ford of Spain remain neck and neck in the market place so far this year. The indications are, however, that if Ford achieves its 5,000 Fiesta vans target, it could take the lead.

Controversial

It was something of a controversial decision by Ford to start importing the Fiesta van. But the move killed the proverbial two birds: it helped the Ford plant near Valencia towards the high export targets insisted upon by the Spanish Government while at the same time widening the range of car-derived vans the company offered in Britain.

It could be argued that Ford would be picking up some business it was destined to get in any case. But the facts are that the group has not been able to make enough of its best-selling Escort and Cortina vans for the past seven or eight years.

Last year Ford suffered badly. At the beginning of the year the Escort was hit by the long-running strike at the Halewood plant. Then all models fell foul of last autumn's nine-week total shutdown in Britain during the pay dispute.

As a result, Ford's registrations in the car-derived van and pick-up sector fell from 19,214 in 1977 to 17,446 last year.

Meanwhile, BL with its Mini and Morris (Marina) vans and pickups took full advantage of the market demand and pushed up sales from 23,076 to 28,222.

Bedford, part of General Motors' Vauxhall subsidiary, also managed to hold its own in spite of disputes which continued to have an impact at the beginning of 1978. Bedford offers two car-derived vans, the HA 110 and the HA 130 (denoting 1.1 tons gross weight and 1.3 tons gross weight) based on the Viva before last. These are cheap and the boxey shape gives good space.

But Bedford now also offers the Chevanne, based on the Chevette car, which has about the same payload yet is much more stylish, and gives infinitely superior road holding, handling and performance. The only problem is that Vauxhall just cannot produce enough Chevettes and the van version goes down the same line.

Among the traditional importers, the Japanese have done well but could do better. The importers of Japanese vehicles, faced with "voluntary" controls on shipments of cars to the UK, attacked the car-derived van and pickup sector with some vigour. In 1977, when they had unfettered opportunities, Datsun's sales rose from 1,384 to 2,132; Honda's from 1,149 to 2,957 and Toyota's from 73 to 563.

To some extent the Japanese spotted gaps in the market and filled them. For example, the Honda TN306 panel van was an extremely tiny version of the usual European product, the kind of vehicle suitable for narrow Tokyo side streets.

But the Japanese success was too rapid and it attracted the same kind of trouble as they experienced in the car sector. The Japanese Automobile Manufacturers' Association (JAMA) and the Society of Motor Manufacturers and Traders (SMMT) agreed that light commercials should be included in the voluntary undertaking that Japanese vehicle shipments would be restricted.

Result: last year Honda's sales in the car-derived sector fell back to 1,681 and Toyota's to 432. Datsun sold all the vehicles it had in the UK pipeline and continued to make progress—registrations advanced to 3,422.

The importers of Japanese vehicles have had to change tactics. With volume restricted they have had to move up-market so that the value (and profit) of each unit sold is increased. The previously-mentioned Honda panel van was just one casualty—the importer can make much more on an Accord car.

The Japanese pick-ups are already noticeably up-market; many of them offering a one-ton payload and plenty of space to go with it.

Indeed, UK manufacturers believe that these Japanese vehicles compete more against the panel vans than in the car-derived market segment.

BL, for instance, argues that the Japanese pick-ups certainly do not compete with the Mini pickup, or the Morris Marina, but with the pick-up version of the Sherpa panel van.

In the first five months of 1979 a sharp drop in sales of Japanese models resulted in a 5.6 per cent fall in the total imported car-derived van and pickup market, from 6,965 to 6,576.

Honda's registrations in the sector fell from 1,334 to 24 in the five-month period, Toyota's were down from 231 to 27 and Datsun's from 1,673 to 985.

So the UK manufacturers were able to take most advantage of the market advance of 27.5 per cent overall, from 32,319 to 41,860. Sales of British-made vans and pickups jumped 38.5 per cent from 25,354 to 35,284, giving the UK-assembled vehicles 84 per cent of the market.

Ford pulled out all the stops in the five-month period to make up for last year's deficiencies and its registrations nearly doubled from 6,738 to 12,437. But it was still slightly behind Chrysler UK, with the Dodge-Simca, in the contest to become leading importer in the sector. Ford's registrations of Spanish-built Fiestas totalled 1,751 (up from 769) while Chrysler's were 1,982 (up from 1,848).

Both BL and Bedford have been experiencing smooth production since the hauliers' strike ended. BL's sales rose from 11,803 to 13,923 and Bedford's from 2,594 to 9,388 over the five months.

Ken Gooding

Twenty years after it was first launched the Mini van remains a popular choice among customers for small vans

The Morris 440 van, with 7-cwt capacity, is derived from Austin Morris's Marina saloon

More FWD models on the market

One of the Japanese entrants in the four-wheel-drive market. This Daihatsu is at the lighter end

COULD IT be significant that China's first move into the vehicle export business seems likely to be with a four-wheel-drive product? As far as that country's image is concerned it fits in with the idea that it is more interested in the practical than the frivolous.

However, although two versions of the Chinese vehicle will be workhorses—a general purpose utility and an agricultural vehicle—the third will be for leisure or sports use.

All this just goes to show that the four-wheel-drive market is in its own way just as fragmented as the market for passenger cars and to a great extent parallels the car market in the variety of models available.

They range from small runabouts offered by such companies as Daihatsu and Susuki, through the solid utility vehicles like BL's Land-Rover and Toyota's Land Cruiser, to the executive-type Range-Rover and leisure vehicles from the American manufacturers—American Motors (the Jeep group) in particular.

Obvious

There are four-wheel-drive vehicles that look like ordinary cars—the Subaru is an obvious example—and conversely there are two-wheel-drive vehicles with the rugged, go-anywhere appearance of the all-wheel-drive models, a variety typified by the Simca-Matra Rancho.

Demand for the workhorses, from farmers, foresters, police, military, fire brigades and so on, is the least likely to suffer from problems such as the current oil supply crisis or the vagaries of fashion changes and is the most solidly based.

BL, with a prominent role to play in the markets outside the U.S., reckons that four-wheel-drive sales worldwide are about 1.4m a year, with the U.S. responsible for perhaps 1m of them, the Comecon countries 200,000 and the rest of the world 240,000.

American Motors' huge home market has helped it become the world's biggest four-wheel-drive passenger vehicle manufacturer and the group produced about 180,000 Jeeps last year. Also in the U.S. General Motors with Jimmy and the Blazer, made perhaps 200,000. And around 40,000 Ford Broncos took the road last year.

Outside the States, Toyota of Japan is the major producer, turning out 133,000 Land Cruisers (of which 124,000 were exported) in 1978. Among the other Japanese manufacturers, Nissan has an output of almost 20,000 Patrols while Daihatsu makes a similar number of its four-wheel-drive vehicles each year.

Up to now there has not been very much information about the numbers of four-wheel-drive vehicles which will be produced by the Chinese in Peking. But the newcomers, to be called the Peking 212 range, were designed in Britain and will use components from several European countries — including Vauxhall 2.3 litre and Ford V6 engines, and ZF gearboxes. Export sales will be handled through a Hong Kong company, Oriental Machinery.

More important, for the time being at least, is the competition being brought to the market this year by Daimler-Benz of West Germany and Steyr-Daimler-Puch of Austria. Developed at a cost of £27m the "G" (for Gelaendewagen) vehicles are being produced at a newly built plant at Graz in Austria which eventually will employ 1,000.

Output of the "G" range will be a relatively modest 9,000 in the first year and then 11,000 a year.

Announcement of the "G" range spurred Land-Rover to bring forward the formal launch of a new model, the first for eight years, offering the bigger V8 engine to give higher speeds on the road while improving the pulling power in low gear across country.

And Daimler-Benz's neighbour in West Germany, Volkswagen-Audi, presented its contender, the Iltis, a civilian version of a four-wheel-drive vehicle previously supplied in large numbers to the Dutch army. The Iltis, much more rudimentary than either the Land-Rover or the "G" series vehicles, is powered by a 1,700 cc version of the Passat petrol engine and is being assembled at the Audi plant at Ingolstadt.

At the time these launches took place earlier this year the medium-term prospects for four-wheel-drive vehicles looked bright. Daimler-Benz estimated that the market was growing at about 5 to 10 per cent a year while Land-Rover suggested it was more like 14 per cent a year in the territories it covers (which exclude the important U.S. market and the Comecon countries).

There must be a question mark over these forecasts now that fuel prices have shot up and supplies are not so freely available.

Even in Western Europe the "leisure" aspect plays an important part in four-wheel-drive sales. Daimler-Benz's research showed that the majority of cross-country vehicles in West Germany were registered in the Munich area. Two-thirds of the people who bought them already had another car. And yet they did considerable mileage in the four-wheel-drive vehicle—an average of 27,000 km a year.

From this Daimler-Benz deduced that most of the four-wheel-drive cars are sold to people who want to be sure they can still travel when highway conditions become difficult and also need a vehicle which can get them to the winter sports areas and back.

This certainly fits in with the picture in the UK of Range Rover owners spending less than one-tenth of their total mileage off the road.

Sanguine

Land-Rover remains relatively sanguine about the future, however. It reckons that the four-by-four share of the total car market will not go down. Of course, that it not to say that the total market will not decline—and the company is pretty pessimistic about the total market in 1980.

BL is spending £280m to double production of Land-Rovers and Range Rovers to 75,000 and 24,000 a year respectively by 1982. In the past chairman Sir Michael Edwardes has said: "This will be one of the most profitable investments in the motor industry for many, many years," which suggests BL has some room to manoeuvre even if demand does ease up.

The big question about the future, though, is the American market.

In the U.S. demand for big, four-wheel-drive "leisure" vehicles stormed ahead because the 55-miles-an-hour speed limit and the American style of car offer little opportunity for enjoyable motoring. However, there are plenty of chances to get off the highway to have some fun in the right vehicle.

But the Americans are also used to cheap motoring and one reaction to the fuel supply problems has been a slump in sales of "recreational" vehicles of all sorts.

The reaction by American Motors was to postpone a $100m programme to double capacity for Jeep manufacture to 350,000 a year by 1981.

The original idea was that this would have enabled the number of vehicles available for export to be doubled to around 40,000 a year.

American Motors has an agreement with Renault of France, part of which covers the sale of Jeeps in some export markets—French-speaking West African countries such as Gabon, the Cameroons and Zaire. The two companies estimated that they could sell 7,000 Jeeps in very basic form in those territories next year, not bad when you consider that total sales in 1978 in Western Europe totalled a nominal 3,500.

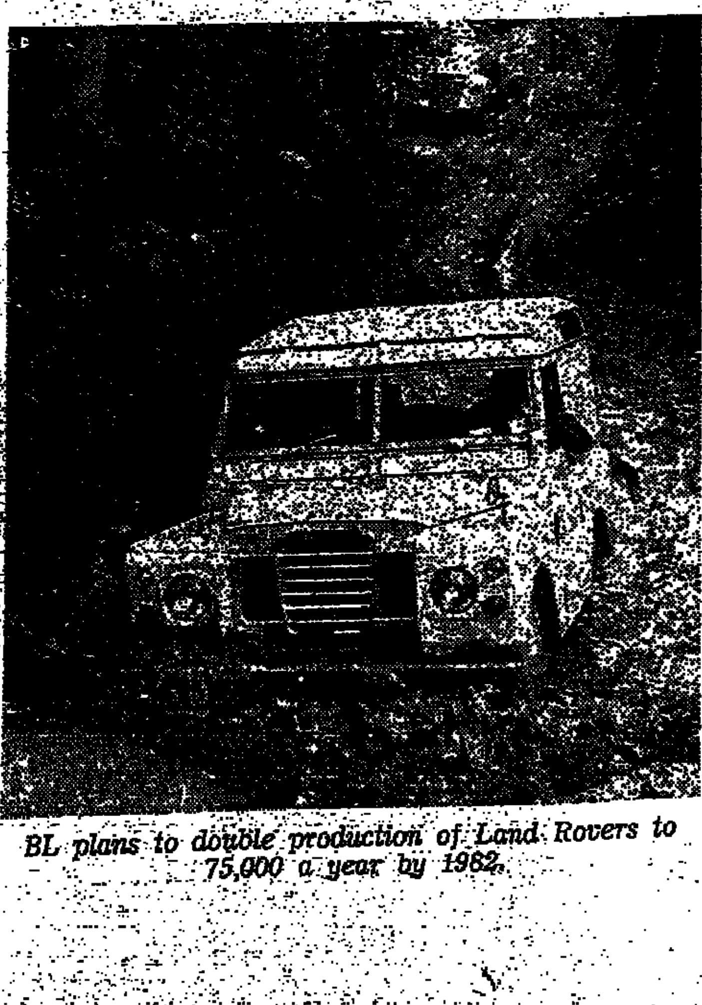
The European manufacturers now fear that the downturn in the U.S. demand might lead to American Motors becoming much more aggressive in the Middle East—the territory where all the cross-country vehicle major producers meet head on.

The recently-launched Land-Rover V8, for example, has started remarkably well in Dubai and Saudi Arabia in its first few weeks on sale (it is an export-only model for the time being). And Daimler-Benz has been aiming its early marketing efforts at the Middle East as well as Europe and Africa.

This is also a part of the world where Toyota has been particularly successful with its Land Cruiser. So markets in the Middle East are already very competitive.

If the U.S. producers, with their relatively low-cost product, decide that more exports are called for, particulraly to the Middle East where they already have some links, the European and Japanese makers could be in for quite a struggle.

K.G.



BL plans to double production of Land Rovers to 75,000 a year by 1982.

Importers push up trucks share

THE MOST exciting new entry this year into the market for vehicles between 3.5 tonnes and 7.5 tonnes must be Chrysler UK's Dodge 50 series.

Chrysler's launch of the new range of light trucks, which replaces the Dodge Walk-Thru and Bantam models, fulfilled a pledge it gave to the Government in 1975 when it injected £162m into the company to save it from collapse.

Not only does the new range of trucks replace the old models, they also add to the range. The Dodge Walk-Thru and the Bantam did not go above 5.6 tons. The new series is available in weights of 3.5 tonnes, 4.5 tonnes, 5.6 tonnes, 6.6 tonnes, and a 7.5 tonnes vehicle is going to be available in the near future.

Chrysler UK has said that it expects to capture 20 per cent of the UK market for trucks in this weight—currently running at 21,000 a year by 1983.

This prediction comes at a time when importers have consolidated penetration into this section of the market. Of total sales of 8,906 vehicles in the first five months of this year more than 1,300 were imports, whereas in the same period last year imports made up 761 out of sales of 7,864. So while the market is up, imports are up.

But, UK manufacturers are confident that the battlefield for sales in this area will be in mainland Europe, not the UK, with European competitors making little profit on their sales in the UK.

Traditionally, UK truck manufacturers, in a country where a huge proportion of goods is carried by road, have concentrated more on light vehicles than their European counterparts in the industry.

European manufacturers are now actively scaling down their heavy trucks (while UK manufacturers have been scaling up their vehicles), but European manufacturers still find it difficult to sell in the UK as their products tend to be more expensive than the British equivalent which does not have the same emphasis on finesse of design and comfort.

UK manufacturers are confident that their customers still prefer a slightly cheaper product without all the extras, but they are up-dating and up-grading their vehicles—as did Ford last year with its "A" series.

UK manufacturers feel that despite the fact that the British truck is not as luxurious as its European counterpart its price makes it attractive to Europe.

Ford, Bedford and Leyland Vehicles all export substantial numbers of trucks to the European mainland.

Ford, for example, exports more than 50 per cent of its D series trucks and has about an 8 per cent share of a 320,000-strong European market. Bedford, Leyland and Ford are all bringing out a new light truck within the next year or so with an eye to exports.

Interesting

The market itself is an interesting one. In the UK the heaviest commercial vehicle which can be driven without a HGV licence is one up to 7.5 tonnes, whereas after 3.5 tonnes an operators' licence is required. Traditionally, the market has polarised to one end or the other of the weight limits and the middle weights have been squeezed out.

Also, traditionally, UK manufacturers have tended to upgrade a lighter vehicle or downgrade a heavier one to meet customers' needs. In the past only a few have made vehicles specifically for the market. Ford, for example, upgrades its "A" series and downgrades its "D" series for this section of the market.

Much of the urban distribution demand has polarised around the 7.38 tonnes truck. The main competitors in this area are Leyland, Ford, Bedford and Chrysler in the UK while foreign competitors are Fiat, Magirus and Mercedes.

The Ford D0710 was the market leader for the two years until this year, taking more than 29 per cent of the market in 1977 and 32 per cent in 1978. But Bedford, the General Motors subsidiary, has now overtaken Ford in 1979 mainly because of the shortage of Ford units.

Chrysler has also been increasing its share, with the Commando—up from about 7 per cent of the market in 1977 to about 8 per cent in 1978.

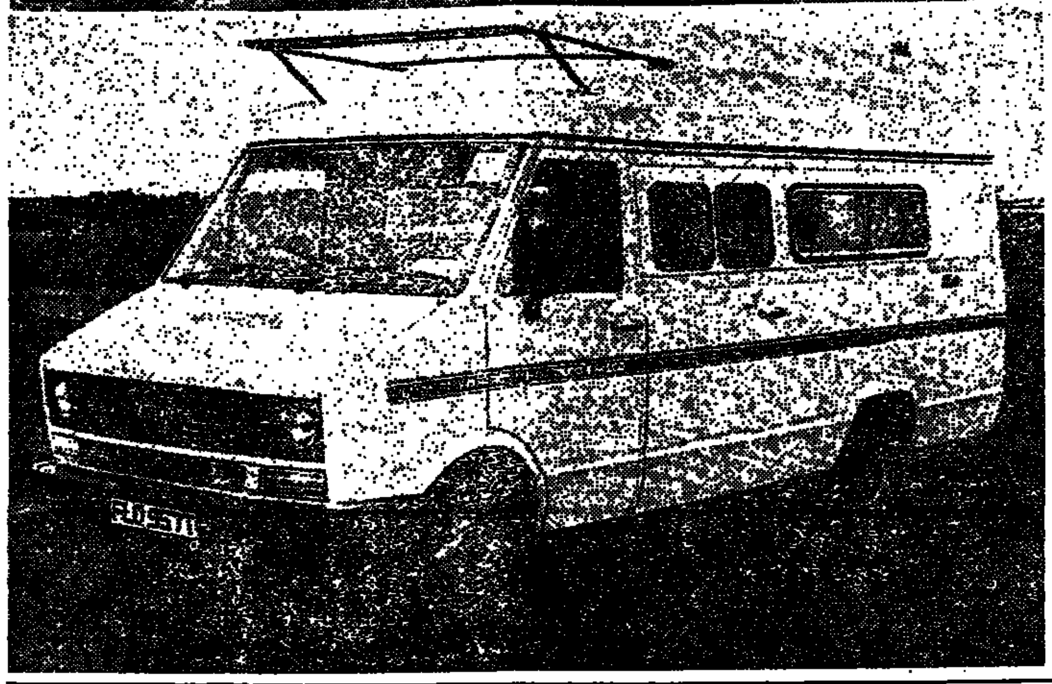
About 17 per cent of the total truck market is at this 7.38 tonnes mark and this year the market is growing rapidly. One manufacturer claims that this will grow to 19 per cent by the end of the year (more than 13,300 vehicles).

In the 3.5 to 7.5 tonnes market as a whole Ford was the market leader until last year with about 17 per cent of all sales. But because of shortages of parts this has now dropped to 13 per cent in the first five months of this year.

Chrysler has been increasing its share as has Bedford, with about 12 per cent of the market with Leyland, which builds its EA van specifically for this rapidly-growing sector, losing competitiveness and remaining relatively static in this growing market.

Lisa Wood

Above: Volkswagen replaced its old Transporter after 30 years a few months ago. This is a pick-up version of the new Transporter



Left: Fiat's latest entry in the 3.5 tonne commercial market, the Daily range of diesel vans and chassis-cabs, is launched in the UK this week. The commercials are powered by engines from Sofim, the company jointly set up by Fiat, Alfa-Romeo and Renault to make fast-revving diesels at Foggia, Southern Italy

Panel vans battlefield is in Europe

THE ENCROACHMENT into the UK medium vans market by importers has gathered momentum this year after the substantial gains importers made last year.

In this area, covering vehicles which are not derived from cars, but which weigh under 3.5 tonnes, the importers have pushed up their sales in the first five months of this year to 14,770 units compared with 11,363 in the same period last year.

The importers' share of the market up to May this year is 27.14 per cent compared with 24.93 per cent during the same five months' period last year. *This is at a time when the total* market has grown from 45,587 last year (the first five months) to 54,429 during the same period this year.

This increasing encroachment is surprising because the UK manufacturers are themselves strong competitors in this segment of the market. In fact, UK manufacturers have had a strong influence on the way European producers have designed their vans. The Ford Transit, which is almost synonymous with this sector of the market, was one of the first "European" vehicles and was common to Ford of Germany and Ford of the UK. The Bedford CF, Chrysler PB and BL Sherpa have also strongly influenced European designs.

But UK manufacturers are still recovering from last year's fall in domestic production caused by industrial disputes. All this year are confident on stepping up production and stemming, if not cutting, the foreign penetration of the market.

Ford, for example, lost nearly one-third of its production last year and importers did well out of its inability to supply. In 1977 Ford held nearly 40 per cent of the medium van market. Last year this dropped to 34 per cent and in January of this year its market share plummeted to 14 per cent. But by February it had increased production to win 29 per cent of the market and by April it had reached 35 per cent. Ford is now confident that it can take this up to its previous market share at a time when the total market is growing fairly rapidly.

Bedford, a subsidiary of General Motors, also suffered last year as a result of an extended strike at the end of 1977 and so it was very short of vehicles, particularly during the first half of 1978. This was a time of very high market demand and the company was also trying to keep up with Continental demand, thus reducing its sales potential in the UK. Therefore it was not able to take up Ford's shortfall.

This year its ability to meet the UK demand is improving and on the medium van side it is 73 per cent up on sales during the first five months of this year compared with the same period last year.

Improving

In fact, it is in this section of the market that Bedford is improving faster: in total van sales for the five months up to May it is 44 per cent ahead of the same period last year.

BL runs in second place in this market and its Sherpa van is an increasingly strong competitor to the Ford transit although it is available only in a short wheelbase.

The Sherpa was launched in 1974 with a moderate capital investment of about £3m at a time when the company was concentrating investment on its car ranges. In 1975 the Sherpa had 12 per cent of the sector market and by 1978 this had risen to 17 per cent while this year market share has fluctuated between 15 and 20 per cent. However, it was unable to capitalise last year on problems at Ford as it was producing at full capacity.

Chrysler has also been improving its market share, particularly in the range of vehicles up to 2.5 tonnes; in the five months up to May it produced about 3,000 units in this category compared with 2,800 in the same period last year.

In overseas markets the UK companies are continuing to make up a lot of the leeway lost in Britain. General Motors policy vis-a-vis Bedford is to use it to source its European vehicles. In the five months up to the end of May 11,000 Bedford vehicles were sold in Europe, an increase of 10 per cent on the same period last year. Of that, the majority of the sales were CFS.

In Italy the company has a 9 per cent market share. Bedford's position there has been improved by the development of its Portuguese plant to a capacity of 11,500 units of its CF range a year. Kits are shipped out from the UK and assembled at the Portuguese plant especially for the Italian market. Portugal has been given sole responsibility for supplying the Italian market with the intention of easing the pressure on the UK lines for the van.

BL is also doing moderately well in its drive for exports and to date more than 1,700 units have been exported to Europe, the Sherpa being particularly well received in France.

Ford's European plants now produce about 130,000 vehicles a year and the company holds about 20 per cent of the total European market of about 500,000 vehicles a year. The majority of transits are made in Southampton and Genk, Belgium, with the line being introduced at the Amsterdam plant last year.

Of the importers into the UK, German manufacturers have continued to consolidate their position in the sector of the market. MAN greatly benefited this year from its new relationship with VW whereby the two, now called MAN-VW have a joint marketing enterprise in the UK.

The former MAN concessionaires were restricted in their imports to a range of high-quality heavy trucks (over 32 tonnes) but when the new company came into being MAN increased its range of imports into the UK and its numbers of dealers. VW sells vans of up to 2.5 tonnes while MAN caters for the heavier end of this section of the market with its LT series.

In the first five months of this year MAN-VW sold about 5,000 units compared with about 3,600 units last year (which was before the new MAN-VW company was formed.

Sales of Japanese vehicles this year have dropped, however, showing that the restrictions on shipments, which began to be felt towards the end of 1978, are affecting activity. In the first five months of this year sales were down from 8,950 in the same period last year (an 8.3 per cent market share) to 8,406 (6.55 per cent).

Lisa Wood

Dodge introduced its new 50 Series range in June this year. Bowyers is using a fleet of S56C refrigerated box vans

Collaboration is sound sense

THE PRESSURE being placed on commercial vehicle makers by legislation and new regulations—both national and international—grows stronger every year. Inflation is putting up the cost of new development, the industry is as short as ever of design engineers, and there is a limit to the industry's resources of cash and talent.

So it will make more and more sense for competitors to share what is available and the trend towards co-operative ventures will surely increase even though the road is a tricky one.

Perhaps the prime example of a joint venture in the light truck sector which makes good commercial sense yet does not run into the possible cartel problems that sometimes arise when competitors get together is the one forged by two West German groups, Volkswagen and MAN (Maschinenfabrik Augsburg-Nuernberg).

VW is the only major car manufacturer in the world which does not have a truck business. Its vehicle range peters out at around the six tonnes level. MAN, on the other hand, makes only heavy trucks. So they have got together to produce a range of six to nine tonne trucks to fill in the gaps and the first of the new vehicles is to be unveiled at the Frankfurt Motor Show in September.

The arrangement between the two groups is entirely informal: there is just a supervising committee made up of three people from each. VW will make the cabs, rear axles and gearboxes for the new range while MAN will produce engines, frames, front axles and special bodies.

This is all part of a plan by VW to increase its interest in commercial vehicles. The better solution, according to many observers, would be for VW and MAN to merge. But that undoubtedly would lead to difficulties with the West German Cartel Office and, more important, MAN's parent group, Gutehoffnungshuette, does not want to sell.

Taking the co-operative deal further, VW and MAN have been reviewing their European sales and marketing organisations to see how they could be combined so that a complete range of commercials—from the lightest to the heaviest—could be offered by one VW-MAN franchise.

The first deal along these lines was completed in the UK and a company was set up in which both VW and MAN have enough say to give them an influence but which allows the importer enough freedom to enable him to use his individual flair.

So the shareholdings were arranged in this way: VW and MAN, 13 per cent each, Volkswagen (GB) and Tozer Kemsley and Millbourn (Holdings) 37 per cent each. VW (GB) is the Lonrho subsidiary which imports VW and Audi cars and light commercials to the UK; TKM held the MAN franchise through MAN Concessionaires (GB).

In passing, there is another interesting marketing arrangement on the fringes of the commercial vehicles business—the one between Renault of France and American Motors of the U.S.

Largest

The prime reason for the relationship between the two has to do with the U.S. car market. American Motors needs new products while Renault would like to have a bigger share of the world's largest and most stable market.

But Renault also gets the right to sell Jeeps, American Motors' well-known and well-respected four-wheel-drive vehicles in some territories, particularly in French-speaking Africa.

American Motors reckons it will sell about 7,000 Jeeps, in very basic form, in Zaire, Gabon and the Cameroons via this French connection next year when marketing begins.

Another example where companies have got together to invest in a relatively small-volume business which would not make much sense for either of them to act independently concerns the cross-country four-wheel drive vehicles from Daimler-Benz of West Germany and Steyr-Daimler-Puch of Austria.

Between them they have spent the equivalent of £27m to develop what many see as the Range Rover's main rival and build a plant at Graz in Austria. The plant is already employing 800 and this will soon rise to 1,000.

Output in the first full-year — production started in February — should be around 9,000 rising to perhaps 15,000 to 20,000 a year.

Called the "G" (for Gelaendewagen) range, most of the vehicles will be sold with a Mercedes badge. But in Austria, Switzerland, Yugoslavia and the Comecon countries it will be sold as a Puch.

Some well-tried components are incorporated in the new range. Daimler-Benz is supplying engines, transmissions and axles as well as steering assemblies. Steyr is providing frames and bodies. In spite of all the Daimler-Benz sub-assemblies to be used, the group reckons that the net effect on the Austrian balance of payments will be a benefit of about £62m because 96 per cent of the vehicles will be exported.

The link provides a useful "diversification" in a related automotive field for both companies involved.

The prime exponent of the joint venture in Europe is Fiat of Italy. The reason is that Fiat so dominates its home market for cars, trucks, components (or machine tools, construction equipment and civil engineering for that matter) that it must look for partners outside Italy if it is to continue to grow.

Fiat set up IVECO (Industrial Vehicles Corporation) in 1975 by arranging with Klockner-Humboldt-Deutz (KHD) of West Germany to put together their commercial vehicles operations. Fiat already owned Unic in France and OM in Italy. KHD's subsidiary Magirus-Deutz was added. As a result, IVECO became second only to Daimler-Benz in truck making in Europe. Typically, Fiat retains control through an 80 per cent shareholding.

At the lighter end of the commercial vehicle business Fiat has a joint operation with Citroen of France and between them they make a vehicle which fits into both their ranges—as the Fiat 242 van and as the Citroen C35. Fiat makes the bodies for these vehicles in Turin and each of the partners incorporates its own petrol engine when required but the diesel engines are provided by Citroen.

Fiat aims to cope with its shortage of diesel engine capacity via a joint venture too. Together with its neighbour in Italy Alfa Romeo, and Saviem, part of the French Renault Industrial Vehicles group, it has set up SOFIM (Societa Franco Italiana di Motori) a company which makes diesels at a new plant at Foggia in Southern Italy.

The 2.4 litre SOFIM diesel is being used to power the new IVECO range of vans and light trucks. And Fiat is using them in diesel versions of its 131 and 132 cars. The SOFIM plant will also make three-cylinder 1.8 litre diesels and six-cylinder 3.6 litre types.

As far as the newly-formed light commercial vehicle division of Fiat is concerned, the most important joint venture is the one with PSA Peugeot-Citroen to manufacture new vehicles in a £153m production facility to be built in Val di Sangro in the Abruzzi region of Southern Italy.

Gallo Orsi, head of Fiat's light commercial vehicles division, says that the vehicle to be produced by the joint company, called SEVEL, will compete with Ford's Transit and BL's Sherpa. It will fill in the gap below the 1978-launched Fiat Daily (also known as the OM Grinta) which covers the 3 to 4 tonnes range.

Mr. Orsi points out that Fiat had designed the vehicle to be made by SEVEL some time ago so "that was why others were so interested," a reference to the fact that Fiat was talking to at least one other European automotive group about the SEVEL project.

As it is involved in all this joint-venture activity, it might have been expected that Fiat probably would be the first to discover some of the snags. Sure enough, a plan for IVECO to link with Daimler-Benz to produce heavy-duty automatic transmissions for urban buses was stopped in its tracks by the West German Cartel Office giving it a nod of disapproval.

As far as the Cartel Office was concerned, it did not like the idea of Magirus-Deutz, Germany's second-largest trucks business, chatting to Daimler-Benz, Germany's (and Europe's) biggest commercial vehicle group, about anything, even if Magirus was in the background behind the IVECO umbrella. There was no formal objection, but Daimler-Benz and IVECO gave up and the project was stillborn.

One intriguing aspect of this particular situation was that the European Commission had apparently given the deal its blessing, seeing it as one way the European companies could fight American competition more effectively.

And that highlights one of several obstacles facing groups interested in joint ventures. They might fall foul of national monopoly rules, they might fall foul of EEC competition rules. In either case they might as well drop the scheme.

K.G.

Daimler-Benz of West Germany and Steyr-Daimler-Puch of Austria joined forces to produce the "G" range of cross-country vehicles

Renault Industrial Vehicles is to build this medium-weight truck for [illegible] associate Mack. It bears the Mack name on the grill

THE ARTS

Television

Enough to drive one bonkers

by CHRIS DUNKLEY

Last week's column bemoaned the idiocies of television's "silly season," but since then it has become clear that things are even worse than I supposed: it is not simply a matter of submission to the summer doldrums. Something quite deliberate seems afoot in the business of making really rotten programmes and my theory is that somebody, somewhere—perhaps a member of the ITV programme controllers group?—has secretly started a "Worst Programme" contest with the same sort of mad bravado required by the children's game of Last Across The Track.

In that, you remember, the children see who dares to be last to run across the rails in front of an oncoming train. In the case of ITV it is not a train that is approaching but licence renewal time which, for a programme company, contains the same elements of life and death. Renewal applications have to be with the IBA by the spring of next year, and with only a matter of months to go it surely takes either great stupidity (which we must, of course, rule out) or great confidence about this crazy new company to display anything as calamitously awful as, say, *Bonkers!*

This new half hour so-called light entertainment series from ATV is screened at teatime on Saturdays and is featured on the cover of the current TV Times in the form of a photograph of guest star Twiggy. That unfortunate girl was by far the best part of the opening episode, yet all she was required to do was appear briefly in one sketch and link various other elements with patter which consisted mainly of pretended embarrassment at the material. The trouble was that there was every reason for her embarrassment to be real.

"Who," one asks in genuine bewilderment and hoping not to sound too much like a judge who's never heard of The Beatles, "who are the Hudson Brothers?" They co-host the show with the desperately mugging Bob Monkhouse and were projected as though they were the greatest thing since the Crazy Gang. Yet they make the Crazy Gang seem in retrospect not only like subtle musical geniuses, but like wonderfully witty sophisticates, too.

The peak of the Hudsons' efforts was reached during a Robin Hood skit in which Little John was referred to repeatedly as "Petite Powder Room" and other such contrived synonyms. Therein, perhaps, lies the clue because those "jokes" were clearly geared to an American audience. Moreover, the show's other guest was also American: Rita Moreno who featured in a sub *West Side Story* dance number; and looking forward to this coming Saturday the show is to include Ruth Buzzi from the old American *Laugh In* series.

It looks as though ATV has been up to its old tricks of producing shows which are marketable in America but which can also be palmed off on the British network. It isn't as though *Bonkers!* even displays any of the flair which Jim Henson brought to the similarly American biased *Muppet Show* and which proved capable of transcending national boundaries.

On the other hand there is a good chance of *Bonkers!* winning that Worst Programme contest. It won't be a walkover, however, because HTV are challenging vigorously with a series called *Murder At The Wedding* which at first sight appears to be a Pythonesque send-up of television drama, but which (as slowly becomes appallingly clear) is actually intended to be taken seriously.

As the title hints, it is a family story having as its focus a wedding which was just finishing at the end of Episode 1. The common law step-father of the bridegroom's children (go on, work it out) is lurking outside the church with a cocked shotgun which presumably won't be used by the step-father to kill anyone at the start of tonight's episode since there would be little point to Episodes 2, 3 or 4 if he did. Though you never know. . . .

Selection of the actors appears to have been done by someone flicking through an old Spotlight casting directory and choosing people not so much for their suitableness in the roles as for the familiarity of their names and faces. Thus we have Alfred Lynch, Angela Pleasance, that nice man from *Warship*—Bryan Marshall, Liza Goddard—the lady from *No Honestly*, and so on.

Although members of the same family they are startlingly ignorant about one another and have to announce the most basic facts about their lives. Thus Mummy says:

"Liz love you must be done in! All the way from Canada! . . . will you be going back?" and the daughter has to explain: "Of course—I live and work there."

They (and indeed the series itself) are, however, terrifically modern and progressive which means that poor Caroline Mortimer is just one of the women who have to wander about with their bosoms bared for the cameras.

It looks like the beginning of an intense, hard-fought contest to see who can get closest to showing completely unadulterated rubbish without actually losing their licence.

Mercifully, though, not all programmes are competing. The week was saved by a trio of unusually good foreign reports (one ITV, one BBC and one American) and by two promising opening episodes—*Shelley*, and BBC2's *Seven Artists* which may prove to be the first fresh television approach to art and artists for years; we shall have to see whether later programmes, including tonight's on Antoni Tapies, sustain the standard of the first on Roy Lichtenstein.

The ITV foreign report, produced by David Elstein, was *Year Of The Prophet* in which the remarkable Vanya Kewley—she who penetrated the Dalai Lama's bedroom—once again went to the horse's mouths, this time for a report on Islam. She did not actually reach Khomeini, though doubtless not for want of trying, but she did get to Iran's Foreign Minister, and to his counterpart in Saudi Arabia, and to General Zia in Pakistan.

Though there was clearly a great effort behind the production to make an ordered programme this proved elusive because of what is clearly a confused and disparate set of circumstances. But thanks to Miss Kewley's unique approach which sets out from neither of the prototypical reporters' bases in politics and sociology but instead springs from some sort of pan-religious or ethical base, it did convey more than any other programme so far about the spirit of Islam and its current extremely important effects.

The BBC foreign report was Harold Williamson's programme *Outcasts On The China Seas* which seemed to use almost exactly the same facilities used by Ed Bradley in *The Boat People*, a CBS report which was entered for the recent BAFTA International TV Festival. Williamson's was a far more informative programme.

The CBS effort although very dramatic was curiously parochial—concerned almost entirely with America's rôle, American rules, American aid—and also offensively full of the first person singular. Williamson did face the camera to say how the Boat People and their courage inspired him, but generally he stayed behind the camera and delivered facts and reasoned impressions in that quiet and civilised way of his which is so impressive.

Last week's American programme, *Paul Jacobs And The Nuclear Gang*, was an important, sad, and thoroughly unsettling report from a dead man: the Jacobs of the title who spent 20 years investigating the effects on the people in southern Utah of atomic tests in the Nevada Desert—and reckoned that his own fatal cancer was caused by the radioactivity he absorbed during researches.

Thames's *Shelley*, if the first episode is to be trusted, could turn out to be a second coelacanth: a living example of a species we had all believed to be extinct — the truly funny situation comedy. Of course it exploits the same situation as the other two recent (and mediocre) sitcom series, a young couple looking for accommodation, but that is no more than a sign of the times.

The really important point is that the writing (by Peter Tilbury whose name is new to me) is sharp, thoughtful and original. Instead of giving the usual ad-hoc accumulation of one-liners *Shelley* actually sounds as though he has been created by someone working from the character outwards. Hywel Bennett is not the most obvious actor to play the eponym—a graduate on the dole—but the choice could prove to be inspired.

He is, thank goodness, a whole world away from Bob Monkhouse and Small Lavatory even though they are all on the same channel. Keep your fingers crossed for Episode 2 tomorrow night.

Belinda Sinclair, Hywel Bennett and Rosie Collins in 'Shelley'

Collegiate Theatre

Dogg's Hamlet, Cahoot's Macbeth

by MICHAEL COVENEY

For the first play in his new double bill, *Dogg's Hamlet*, Tom Stoppard has reworked material from two earlier short pieces, *Dogg's Our Pet* (1971), an anagram of Dogg's Troupe, the improvisatory group who work within Ed Berman's Inter-Action; and *The (15 Minute) Dogg's Troupe Hamlet* (1976). The first was a slight linguistic experiment done in time to a hasty assembling of bricks and planks, the other an inspired compression of the tragedy.

Stoppard binds the piece by setting it in the context of a performance at a school prize-giving where a crazy private language among the participants, all sounding like distant relations of Stanley Unwin, culminates in a stream of genteel abuse from a lady in a flowered hat on the platform. The same platform is eventually occupied in the second play by a loutish inspector, who has arrived in a wall of sirens to knock at the door and interrupt a private performance of *Macbeth*.

In other words, we have two famous plays performed under conditions of duress, the first set of them relatively self-imposed, the second enforced by authority. *Cahoot's Macbeth* is dedicated to the Czech playwright Pavel Kahout, a friend of Stoppard and one of the many theatre artists whose wings have been clipped since the tanks rolled in. After a certain amount of ambiguous double-talk as to what constitutes a permissible show of art in a period of "normalisation," the stage is once more showered with bricks and planks. Only this time they are grey and they rapidly block the actors from view.

It is all quite clever and intermittently amusing, but it would be wrong to suggest this is vintage Stoppard. By his considerable lights, it is end of term stuff. There is one fortuitous character link, a theatrical delivery man called Easy who gets roped in to *Macbeth* as the Third Murderer and Banquo's Ghost, despite garbled protestations about his postilion being struck by lightning on the A124.

Ed Berman directs and the company includes Peter Woodthorpe as the Inspector, C. J. Allen as a very funny star pupil, and Alison Frazer as the girl whose dowdy apartment is a surprise revelation after the spells have been cast.

*

Reviewing the Regent's Park revival of *Twelfth Night*, which opened on July 3, I unforgiveably branded the actor who plays Feste professionally incompetent. The actor in question was, I now understand, suffering from laryngitis, but even that point in his favour does not work in mine. I apologise to Michael Duggan for my indiscretion, and to his peeved director, David Conville.

Wigmore Hall

Menuhin School

by DOMINIC GILL

Even if they do not (and no one expects them to) uncover each year a budding Heifetz or Horowitz, the Yehudi Menuhin School's annual concerts in London are never less than a delight—not merely for the consistently high standards they maintain, but also for their special quality of freshness, vitality and variety.

The two stars of the School's programme at the Wigmore Hall on Monday evening were both of them string players. Jonathan Rees was the oldest of the young artists appearing: but at 18 he is already a violinist of maturity and distinction. His account of Bartok's first Rhapsody had remarkable presence and poise: the tone full and bright, its colour richly varied, the attack quick and strong. We shall surely be hearing more of him before long—and of his fellow cellist Antonio Lysy also, two years Rees's junior, whose performance next of Beethoven's "Bei Mannern" Variations was so marvellously assured, subtly phrased, warmly delivered.

Another considerable young talent was a pianist, John Henry, whose *Waldesrauschen* of Liszt was secure and sonorous: impressive—though for a young man oddly unindulgent of the melody's Wagnerian swell (it's certainly possible that his teachers might call the sort of *Waldesrauschen* I like unacceptably vulgar). His two Rakhmaninov Preludes were likewise interesting and forthright: the D major op. 23 no. 4 especially—even without its undercurrents of aching nostalgia—beautifully voiced, very clear and clean.

Aubrey Murphy and Sophie Renshaw, both 14, gave a splendid fun-performance to open the evening of an arrangement for violin and viola of a Handel Passacaglia—hardly surprising (and actually rather endearing) that the grand manner just escaped them. Amanda Hurton played a Bach Prelude and Fugue and a Chopin Nocturne that were musically still a bit tentative, and rote-ish, though full of evident, quiet promise. Niall Brown's *Elegie* of Fauré was attractive, big-toned and full-bowed, but still lyrically a little shy: as the manner grows rounder, and confidence firms, a cellist to watch. Two pianists, Gwawr Owen and Hsing-Chwen Hsin, tiny in stature but generous indeed in spirit, gave Poulenc's little sonata for four hands with irresistible zip and *sparkle*. Clare *McFarlane*, Caroline Henbest, Jagdish Mistry and Niall Brown closed the programme together with a robust and admirably confident account—if that be your food of love—of Tippett's second string quartet.

Hayley Mills, Ian Ogilvy, Patsy Byrne, Googie Withers and John Clements

Chichester Festival Theatre

The Importance of Being Earnest

by B. A. YOUNG

The Importance is such a good play that only on really exceptional occasions can it be dull. It is not dull at Chichester; but it would be a good deal funnier if there were a more acute sense of period.

The young people in this production, pleasant enough in their way, have a weakness for accenting the wrong words, which, I suppose, partly stems from their never having heard Victorian English spoken, which one could hear from old people until the 1930s or later. You can't accent "ready" in the phrase "ready money," for instance, any more than you can accent "Kent" in "Old Kent Road." There is, in fact, a feeling that Victorian England is as distant from the world of this production as New Guinea, something heard about but not experienced.

The costumes by Finlay James are outrageously wrong; in the first act Ian Ogilvy as Jack wears a pin-striped suit of considerable vulgarity and Michael Cochrane as Algy a caddish sports outfit that would have got him hissed from one end of Bond Street to the other. Mr. Cochrane even wears a green carnation in his buttonhole, in spite of his devotion to the female sex. As for the two butlers, allowing their feelings to appear on their faces, even sharing them with their employers, such creatures would have been dismissed at once.

If the young people would pay more attention to their elders, things would go better, for Googie Withers, John Clements and Patsy Byrne not only make the proper sense of their lines but speak them without throwing away the last word or two of each sentence, something their juniors are apt to do. (Mr. Cochrane makes the fatal mistake of saying "Bunbury" so indistinctly that the name doesn't register.) Miss Withers keeps Lady Bracknell within reasonable bounds of probability: John Clements is an unusually, rather pleasantly, timorous Canon Chasuble; and Miss Byrne's Prism is a bulldog lady not at all suitable for a romantic conclusion. None of them is any funnier than their lines, but they are funny enough.

Gwendolen is ravishingly lovely in the person of Hayley Mills, but her apple-green dress in the country is even more outrageous than Algy's suit in town. Mel Martin is dressed and coiffed like an 18-year-old for Cecily, but her voice sounds older than Gwendolen's, which is a pity.

Cheltenham Festival

Harvey's 'Hymn'

by ANDREW CLEMENTS

The sound of motorcycles still punctuates the silences, audiences still chatter through any music written after 1945, but the character of the Cheltenham Festival has changed very perceptibly in recent years. No longer is it a showcase for the latest British music; nowadays the accent is on broadly attractive, tourist-catching programmes rather than brave crusading. There remains a respectable scattering of new music however: the beginning of this year's festival included the first performance of Gordon Crosse's Cello Concerto (a festival commission), reviewed last week by David Murray, and a visit from the Contemporary Music Ensemble of the Royal Northern College, and on Friday evening last the London Sinfonietta and assorted choirs conducted by Martin Neary gave the second performance of Jonathan Harvey's *Hymn*.

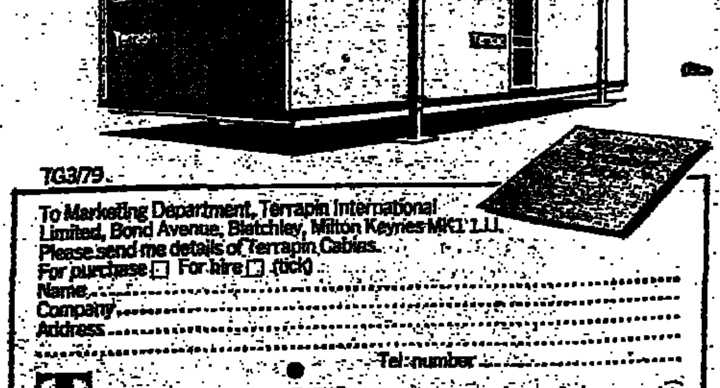
Second performance, for the same forces had given the premiere on the previous evening in Winchester Cathedral; it is a work whose sound is very obviously intended for the echoing spaces of a cathedral and which is very much concerned with the types of Christian ritual. *Hymn* sets out to make a public utterance out of an essentially private, meditative text from the Acts of Thomas by framing it with an Anglican hymn *(Laudate Dominum)* and settings from the *Song of Songs* and a poem by the Maharishi Mahesh Yogi. In musical terms, the 20-minute work moves from an authentic rendering of 'O praise ye the Lord,' complete with Vaughan Williams-type brass flourishes, through a disintegration and *absorption recalling* Maxwell Davies in *its* parodies and refractions into the central setting of the meditation. An eventual expansion of the hymn tune then leads into ecstatic writing for double choir in the *Song of Songs*, interwoven with quiet, reflective snatches of the yogic poem.

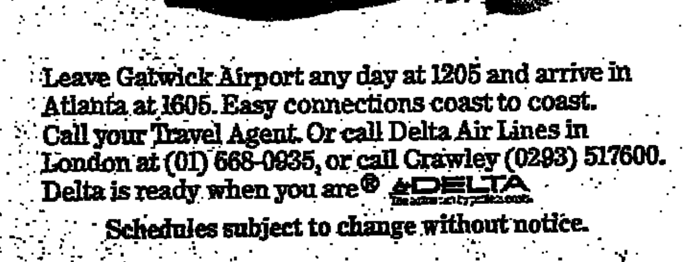
Harvey's choral writing is bold and grateful to sing; the progression of its argument is clearly set out. Yet the simple juxtapositions of texts and the careful harmonic organisation of the whole cannot quite sustain the weight of Harvey's thesis as it's stated in his programme note. The orchestral contribution must sound more effective in a more generous church acoustic than it did in Cheltenham Town Hall and an analytical sound might find *Hymn* wanting in imaginative detail. Indeed the whole of the London Sinfonietta's programme seemed singularly ill-suited to a concert hall: *Hymn* was framed by Bruckner's E minor Mass (in which Neary's approach mistook monotony for monumentality) and Stravinsky's *Symphony of Psalms*.

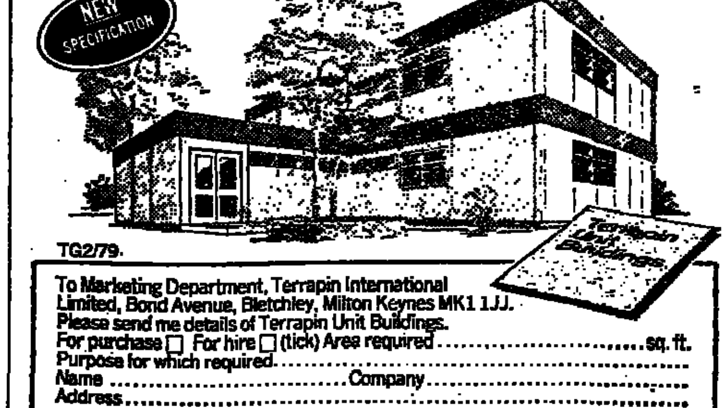
Saturday morning's recital in the Pittville Pump Room was given by the French oboist Maurice Bourgue, accompanied by his wife Colette Kling. It proved an occasion of pure delight; Bourgue's tone virile and creamy by turn, his phrasing ever liquid even if too ripely romantic for Telemann's D minor Fantasy. The highlights were the two 20th-century solo works—Britten's *Metamorphoses after Ovid* and the Berio *Sequenza*, the latter, memory suggests, more overtly theatrical, less intense than in the version made familiar by Heinz Holliger, each movement of the Britten intensely characterised and winningly projected.

*

To Cheltenham's Everyman Theatre on Saturday evening the Welsh National Opera brought its production of *The Turn of the Screw*, reviewed here at length in March by Arthur Jacobs. Both Adrian Slack's production and David Fielding's sets adapted well to the Everyman's stage; the effect was of a production of singular consistency and achievement, well sung and generally well acted. Felicity Lott's Governess sounds magnificent and she can hardly be blamed for minimising the extra degree of feminine neurosis built into the opera by Britten that is absent from James's original story; David Hubbard's otherwise splendid Miles was occasionally obscured by the orchestra; Rita Cullis's Miss Jessel began cautiously but eventually relaxed. Minor cavils, though, in a fascinating and absorbing performance.







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A way to help the regions

THAT BRITAIN is split geographically into two nations, rich and poor, is a sad fact that decades of government policies aimed at stimulating the depressed regions have not managed to change. In 1977 the regional disparities were so marked that every one of the 10 regions outside the South East was actually poorer than the national average, because of the vastly greater affluence of London. It is hardly surprising then that the boundaries of the "assisted areas" into which governments have felt obliged to pour regional subsidies, have spread steadily over the years, until they now embrace over 40 per cent of Britain's population.

Reduce coverage

Sir Keith Joseph, the Industry Secretary, has made no secret of his dislike for the regional development grants and selective aid schemes which currently cost the Government about £600m a year. He has now decided to call a halt to what he feels is a pointless proliferation of government subsidies. But, to the relief of workers and industrialists alike, he has done the cutting not with an axe but with a scalpel.

Sir Keith intends to reduce the coverage of assisted areas from 40 per cent to 25 per cent of Britain's workforce and to reduce the rates of grants in all but the most depressed places, the Special Development Areas, most of which are clustered in and around the declining industrial cities of Scotland, the North, Merseyside and Wales. But the areas which are to move down the scale of assistance will be given up to three years to adjust and the cut in the rate of grants to the Development Areas, from 20 per cent to 15 per cent is hardly draconian.

Fundamental problems

The government has yet to solve two of the more fundamental problems of the present regional aid system—automatic grants in the assisted areas are proportional to capital expenditure and bear no relation to the number of jobs created. Job creation for its own sake is often economically damaging, since it may achieve nothing but a reduction in productivity.

But the intention of regional policy should be to encourage the creation of permanent and productive jobs in depressed, rather than affluent areas. It should not be to subsidise investment generally.

That this is not just a theoretical problem is shown by the regional growth statistics. The fastest growing regions *in the 1970s, in terms* of GDP per head, have been the North, Northern Ireland, Wales and Scotland. Between 1971 and 1977, the North's growth rate was 1.4 per cent per annum faster than the *national* average. But rapid growth has done nothing to save the North from the highest regional unemployment rate—8.2 per cent. In fact, while income per head has been converging between the regions, unemployment rates have diverged ever further.

The solution to this apparent conundrum appears to lie in the relatively high wages for those who manage to find jobs in the depressed regions. Average weekly earnings for male manual workers are *actually* substantially higher in the North than in any other region of Britain, including even the South East.

Impact of oil

The combination of a sharp increase in relative wages and a steady decline in jobs that the North and Scotland in particular have experienced, even after allowing for the impact of North Sea oil on employment and *earnings, must in* some measure be due to regional policies that have promoted highly capital-intensive investment. Capital intensive industries, such as chemicals and oil refining pay high wages, but employ few workers. Their secondary effects on regional employment are also much smaller than those of, say, light engineering, which stimulates local demand for intermediate engineering products.

The second question about subsidies that Sir Keith is still trying to answer is how best to use the discretionary subsidies that are often needed to attract internationally mobile investment projects. But until and unless an international agreement is reached to limit these subsidies, Sir Keith should emphasise employment creation in the depressed regions, rather than balance of payments considerations in deciding on which projects to subsidise.

Up to the present this has not been the case. Most of the discretionary subsidies have been paid on investment outside the assisted areas, at least partly negating the whole impact of other regional grants.

The succession in Iraq

IT WOULD be rash to draw any premature conclusions from the announcement that General Ahmed Hassan al Bakr has resigned from the presidency of Iraq. The obsessive secretiveness of the Arab Baath Socialist Party that seized power in Baghdad 11 years ago yesterday and the discipline imposed by it have always made speculation about the inner workings of the regime a speculative business. But there seems no reason to dispute the official reason given for General Bakr stepping down in favour of his former deputy, Mr. Saddam Hussein. His ill-health has prevented him from acting as an executive head of state for some years and this role has been filled very effectively by Mr. Hussein.

Bakr's resignation

Iraq's Baathist regime has no reason for complacency. It is one of the most harsh and repressive in the world, notorious for the manner in which it has hunted down *exiled dissidents abroad*. Nevertheless, General Bakr can take his pension with some satisfaction. Notwithstanding open Kurdish rebellion in the first half of the 1970s, Iraq has experienced since the 1968 revolution a kind of stability that it did not enjoy in the previous 10 years after the Monarchy's overthrow.

This has been appreciated by many Iraqi citizens with no love of the regime or ideological loyalty to it. The rate of economic development has been difficult to judge. However, primed by increased oil production and revenues, it has been significant. Nor can the regime's commitment, in a non-Marxist context, to diversification and growth be doubted.

Not the least, General Bakr's long revolutionary career has been crowned by the Iraqi Baath Party's reconciliation with its Syrian rival.

To a great extent General Bakr, who maintained strong influence and control over the Armed Forces, and Mr. Hussein, the so-called "strong man" of the regime who has a civilian background and dominated the party, have been complementary characters providing, it was believed, an essential balance to the regime. The assumption must be that the military, which has always been a powerful factor on Iraqi politics, has been subjugated to Baathist control.

All the indications are that the succession in Iraq has been smooth with the leading figures below Mr. Hussein moving up one place. Nevertheless, it takes place at a difficult time and presents him with a difficult challenge.

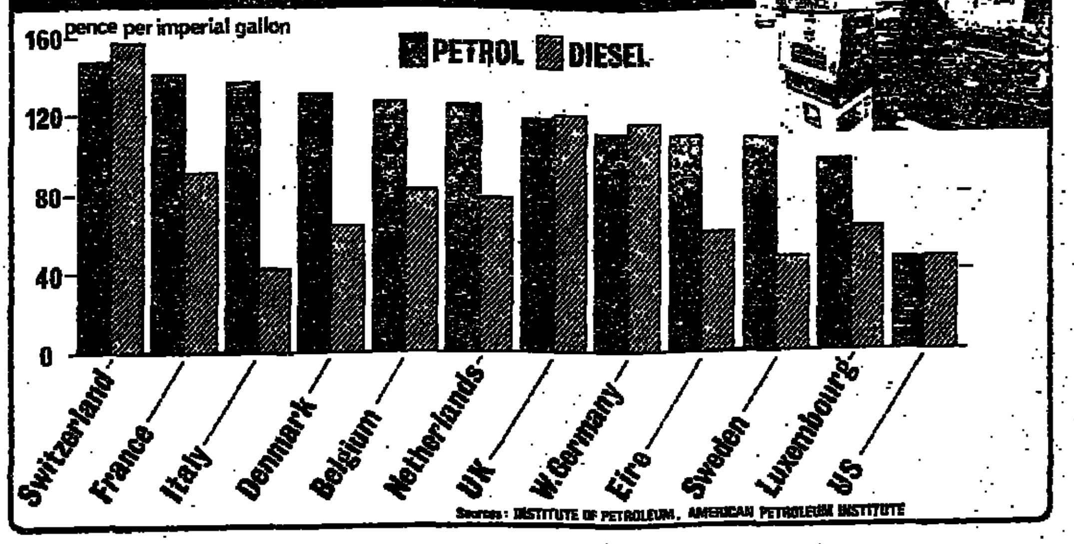
Iraq is estranged from the Soviet Union for which Mr. Hussein has never had any undue respect, anyway. Despite the 15-year treaty of friendship and co-operation signed in 1972, Baghdad has been outspoken against Moscow's support for its client Marxist regime in Ethiopia in its fight against Somalia over the disputed Ogaden territory and the Eritrean secessionists. Relations have been exacerbated by the Baathist crackdown on the Iraqi Communist Party which it was formally aligned with in government.

More recently, Baghdad has felt the repercussions from the revolution in Iran. On the one hand, the overthrow of the Shah—with whom Mr. Hussein had resolved differences in 1975—has revived the will and ability of the Kurds on both sides of the border to seek autonomy. On the other, the Ayatollah Khomeini's religious fundamentalism has inevitably aroused hostile feelings amongst the Moslems of the Shi'ite persuasion who constitute, perhaps, over half Iraq's population.

Oil reserves

Having asserted painstakingly over a long period its grip over the country, the Baathist regime looks capable of keeping control under Mr. Hussein's leadership. Higher oil prices and rising output of the producer state that is believed to be second only to Saudi Arabia in its petroleum reserves have enhanced its position. The reconciliation with Syria and the novel collaboration with conservative Gulf states, notably Saudi Arabia, have made it more than ever an Arab power to be reckoned with. It is also one to be courted for the commercial opportunities that its development drive presents. The visit of Lord Carrington, the Foreign Secretary, to Baghdad last month and his achievement in obtaining agreement to the lifting of the Iraqi embargo on British business could not have been more timely.

HOW MUCH PER GALLON



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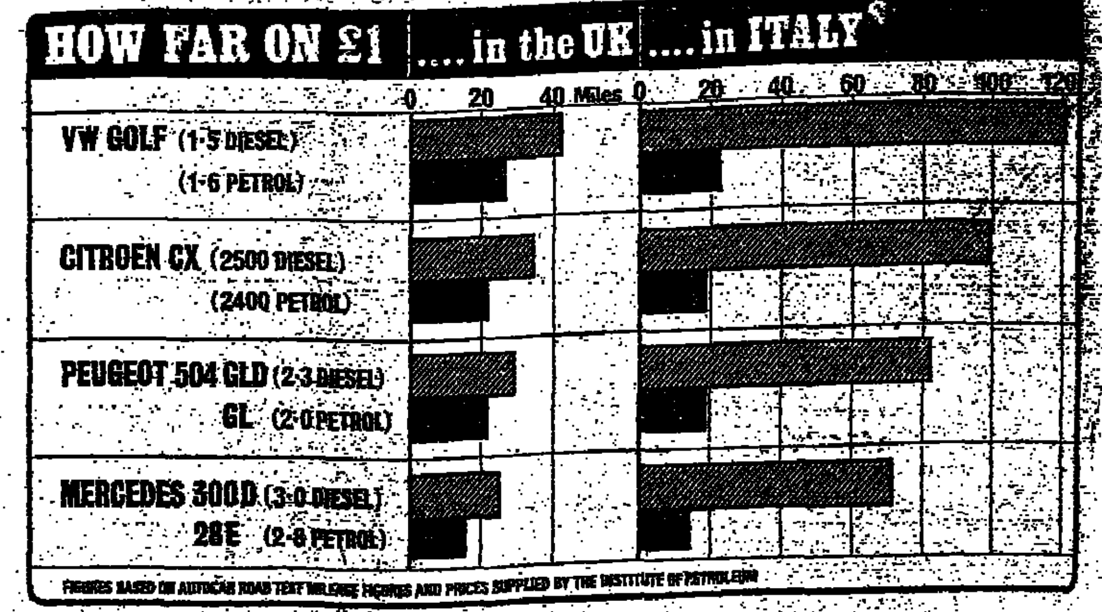

A wider, but clouded, horizon for the diesel

By HAZEL DUFFY, Industrial Correspondent

AS THE Western world seeks to juggle its way around the energy crisis, the diesel engine finds itself cast as one of several possible salvations. Although it is heavier, noisier and initially more expensive than the petrol engine, its greater fuel efficiency gives it a potential which could outweigh its other drawbacks.

For Britain, the home of a good slice of the world's independent diesel engine industry (i.e. companies, the major part of whose production is not tied to a particular equipment manufacturer), this resurgence of interest must be welcomed. In companies such as Perkins, Cummins, Gardner, Rolls-Royce Motors and General Electric, as well as Ford and BL, Britain boasts an industry which has consistently been at the top end of the engineering sector for efficiency and innovation.

Closer examination, however, reveals that not everything in the English garden is quite so rosy. The main users of diesel engines break down into four groups: industrial—manufacturers of construction equipment, power generators, railway locomotives, industrial trucks and compressors; automotive—trucks, buses, cars and light vans; agricultural—tractors, combine harvesters, etc., and marine—from small boats to the largest vessels.

U.S. market growth

The main growth in demand for the diesel engine is expected to come from the automotive sector, where there is substantial scope for the replacement of the petrol engine. (There also is considerable growth potential at the small engine end of the marine sector, but on a much more limited scale.)

Within the automotive sector, two areas of opportunity stand out: One is the American truck market. In Europe, the diesel engine dominates in trucks, but in the U.S., where petrol and petrol engines are cheap, the *diesel engine has been mostly* confined to heavy-duty Class 8 trucks. The 1974 energy crisis, and now the latest and more serious threat, points to strong growth in diesel-powered trucks in the Class 7 and 6 medium-duty range.

The other area is cars and light vans. In Britain, sales of diesel cars are tiny, but in France, Italy, West Germany and now the U.S., the percentage is creeping up. Diesel cars do not have a wide open road into the future, however. A number of questions hang over issues such as the U.S. Government's planned standards of emission control, while the higher initial outlay and generally more sluggish response of the diesel cars currently on the market, as well as the price advantage that petrol still enjoys over diesel fuel in some countries including the U.K., all act as deterrents. But in the longer term, the diesel car is bound to enjoy an expanding market.

This is the point at which some doubts over the future of the British diesel engine industry begin to appear. At present, the industry is strongly slanted towards the two sectors—industrial and agricultural—which are expected to show least growth. The reasons are not hard to find. While the British automotive industry is weakening on an international scale (this applies to commercial vehicles as well as cars), Britain's tractors, industrial trucks, generating sets etc., have proved much more competitive.

The problem confronting the industry therefore is similar to that faced by other British component manufacturers. If it wants to get into these growth areas, it has to look beyond the British automotive industry.

Perkins is already trying to break into the U.S. truck market, where it hopes to have more success than with its venture into industrial engines in the U.S. In 1975 it bought a very modern plant at Canton, Ohio, from the White Motor Corporation but has decided recently to close it and concentrate on automotive and marine engines in the U.S. at two smaller plants. The American diesel engine market, however, is very competitive, and Perkins is up against European competitors such as Deutz, which plans to start up a plant in the U.S., as well as the established American manufacturers.

Perkins, one of the biggest diesel engine companies in the world, has a key role to play in the future of the British industry. It is a significant exporter, selling some 70 per cent of output overseas last year, rising to 85 per cent if indirect exports are taken into account.

It employs 7,000-plus at Peterborough, while many more jobs in the components industry depend on the company. Although it is owned by Massey-Ferguson, a Canadian company, it operates very much as a British company and its research and development facilities at Peterborough are an important contribution to industrial innovation.

The problem with Perkins, however, is the weak financial state of its parent company at a time when diesel engine development is at a critical stage. MF made huge losses last year. Although its latest results point to the beginnings of a recovery, much doubt must remain over its ability to help fund Perkins' development programme.

Development costs

MF's report and accounts for 1978 show a profit of U.S.$65m on engines. This figure has to be set against that of £30m, quoted by Perkins as nearly two years ago, as the amount needed to fund just one new development programme.

The company decided recently to go ahead with a programme designed to bring a high-speed, light diesel engine on to the market by the early to mid-1980s for cars and light vans. In addition, it must continue to modify and develop other engines to meet government standards on noise and emission, and to increase their fuel efficiency, if it is to hold on to its share of the industrial market.

Perkins engines are known and bought worldwide, but there can be no doubt about the difficult period that it and its parent company have been going through. The possible courses open to it are:

1—An outside company could be found to buy into it. But MF has made clear that it will sell only a minority stake and few companies are willing to pay money without getting control. *The National Enterprise Board* was a possibility, but that will almost certainly have to be ruled out by the Government's curb on NEB activities.

2—Perkins could tie up with a customer for its new light engine to help both with the development and the tooling-up costs, while providing a guaranteed outlet for the engine. Perkins is preparing to have discussions with manufacturers both in the UK and elsewhere.

3. *Government aid might* be forthcoming for the development of the new engine, using the product and process development scheme. The report of the Price Commission into Perkins earlier this year recommended that the company should look more closely at Government aid schemes.

4. The Government might seek to encourage diesel cars, and therefore the new engine, by restoring the price advantage on diesel fuel. It would have to specify that the adjustment would be made at a future date, (as did the Italian Government) otherwise it would only stimulate imports of diesel cars. At the moment, there are no *British-made diesel cars using* British-made diesel engines, although BL is believed to be planning to introduce a diesel version of the Princess, using its own engine, before long.

Diesel engines were one of the sectors chosen for special attention under the Labour Government. It was recognised three to four years ago that this is one of the more successful sectors in British manufacturing industry, but that it needed some help if it was to maintain its share of world markets.

The strategy, drawn up by the NEB, Department of Industry, and the NEDO sector working party, had little success. When Gardner (like Perkins, a company with a solid international reputation) came on to the market two years ago, the NEB wanted it to go to Rolls-Royce Motors, which was then building up its diesel interests. In the event, it went to Hawker Siddeley. The deal, in fact, proved most satisfactory. With its existing diesel interests in the upper and lower horsepower ranges (Mirrlees Blackstone, Petters and Lister), complemented by Gardner in the middle range, plus its large cash balances, Hawker Siddeley seems an appropriate vehicle for a re-structuring of the British industry, although it is questionable whether it would want to become very committed to the motor industry.

Investment in UK

Another possible participant in the restructuring of the industry is Cummins, one of the largest independent engine producers. An American company, Cummins has invested *heavily in the UK and has three* plants at Darlington, Daventry and Shotts. Cummins engines are at the heavier end, their main customers being in the truck industry, although it also produces large industrial engines. For this reason, a merger or association with Perkins, making smaller engines, looked logical. But Cummins is now expected to encroach on Perkins territory, with a lighter engine it is developing in the U.S. with J. I. Case. The decision on whether to go ahead with this engine will be made next spring.

Cummins has also been trying to tie up a deal with BL to take a proportion of the output of its new 10-litre engine, which will come onto the market in the early 1980s. Designed particularly for the European market, the engine has now found a big market in the U.S. where medium-duty trucks are increasingly going diesel. BL, which has been approached by other engine manufacturers as well, has not so far agreed to any deal with Cummins. If Cummins manages to persuade a Continental manufacturer to come in on the venture instead, it could mean that Britain will lose out on the 10-litre in the long run, although the factories here will benefit considerably in the earlier stages of the launch.

The view that BL takes on the manufacture of its own engines is obviously important to the diesel engine industry's future development in the automotive sphere. As far as trucks are concerned, BL is expected to have to take a decision on a new engine within a couple of years. It could tie in with Cummins, or forge links with Perkins, which at the moment has only about 10 per cent of the British truck market. Either move would strengthen the position of the engine manufacturers. On the other hand, it might be commercially more realistic for BL to go ahead on its own.

Similarly, on a diesel car, BL could tie up with Perkins on the new engine being developed at Peterborough. So far, BL's inclination seems to have been to do its own thing. But either way, it will probably need some Government initiative on the price of diesel fuel if the motor industry and the diesel engine companies are to make an impact in this growth area.

PERKINS' SALE OF BUILT ENGINES

BY TYPE OF CUSTOMER 1974-78

	1974	1976	1978
	%	%	%
UK *third party*	15.2	13.1	20.1
Export third-party	15.9	11.1	11.8
Massey-Ferguson (UK)	18.9	26.2	19.9
Massey-Ferguson (other)	23.3	32.1	23.7
Perkins Group (N. America)	5.1	8.0	13.5
Perkins Group (other)	21.6	9.5	11.0
Total	100.0	100.0	100.0
Total production (units)	234,777	282,767	205,047

Source: Price Commission report

MEN AND MATTERS

Mining goodwill in the vale

The Coal Board is in complete accord with the mineworkers' union about at least one thing—that the picturesque Vale of Belvoir is just the place to dig up some more coal. And the NUM is sparing nothing in its efforts to reassure putative new neighbours that miners are not types who keep coal in their baths. "It never was true," it is asserted beside a large photo of Joe Gormley on the front page of a "Vale of Belvoir Special" issue of Miner, the NUM newspaper.

"I think it's part of Sir Keith's plan to get the country back on its feet."

With the banner headline "Meet the Miners," copies are being distributed door to door to 30,000 Vale people. High environmental standards are promised by smiling men from the coalfields. The Nottingham Miners' President, Len Clarke, says reassuringly that the miners "will be far removed from the men of the pick-and-shovel era." Pulling out a trump card, another NUM leader points out that "a lot of mine-workers already own their own homes."

And to prove just how up-market miners are these days, the union—possibly wincing a little—has come up with a hunting miner. "Horseman Ian" graces the back page in his hacking gear, plus horse. With mention made too of singing miners, cricketing miners, miner photographers, miners who are charity workers, wood carving miners, miners who are jewellers, miners who are plain nice, it is hard to see what even the most snobbish residents of the Vale have to worry about.

But I found the Duke of Rutland, who has been spearheading the protest against the invasion, unimpressed. He was especially scathing about Horseman Ian. "They are just trying to ingratiate themselves," he told me from Belvoir Castle. "It isn't just miners, it's engineers, all the paraphernalia coming in with them. Anyway, I don't know whether the miners would like it. We had miners from up north at Cotgrave, on the edge of the Vale, and a lot of them just couldn't stand it, and went home again."

Around 700 people attended the preliminary enquiry into the NCB plans for the Vale, and the full enquiry later this year is likely to be a very long-drawn-out affair because of the mass of objections. The Duke and his fellow protestors argue that rising coal prices have made existing mines more economic—especially if they were efficiently mined. Finally, they find it hard to imagine how 3m tons of spill a year can be "sensitively" tipped above ground.

Seeing red

While Metropolitan police grouse about the so-called "Swedey"—provincial policemen investigating allegations of nefarious goings-on in the London force — their counterparts in Mexico have to contend with much more underhand surveillance.

In order to combat widespread bribery, Mexico City's police chief has come up with the simple expedient of sending out men in disguise — some dressed as street sweepers — to photograph officers in the act of supplementing their income. The most visible bribe is the well-entrenched practice of extracting 50 pesos, just over £1, from motorists. For years it has been accepted as fairly harmless. But with the opening of 15 new six-lane boulevards to relieve the city's congestion, the chief wants to clean up the police image.

Inspectors cannot be everywhere, however. A colleague driving near the anthropological Museum the other day found himself waved through manually-operated traffic lights by one policeman, then stopped and booked by another for going through the red light. The cost of escape from this skilful manoeuvre? The standard 50 pesos. Significantly perhaps, there was no street sweeper with an interest in photography on hand to immortalise this everyday event.

Instant bleu

A novel kind of fast food, due to be launched in Britain this autumn, is having a little trouble getting on to the stove. *A franchise company named Jo* Kwan, based in Hong Kong, claims to have mastered the elusive art of pre-cooking and freezing Chinese food; a British company, in Stratford-on-Avon, was negotiating with Jo Kwan to *prepare the sweet and sour*, Peking duck and similar oriental delicacies.

But I was told yesterday by Alveston Kitchens, at the Stratford end, that the deal is off. Jo Kwan will have to look elsewhere. Alveston Kitchens, a subsidiary of United Biscuits, is rueful about declining the chow mein challenge—on the other hand, it has a £5m annual turnover in Western foods for consolation.

The pre-prepared food market has now moved so far beyond the simple frozen meals you can buy in a supermarket that a host of dishes, made up to three months before, can—it is claimed—be served to gourmets without their being any the wiser. "We supply complete menus to more than 1,000 leading hotels and restaurants," an executive of Alveston told me yesterday.

She said that most establishments prefer to keep their use of frozen coq au vin, sole bonne femme and the rest a close secret; "many people would never get used to the idea" that up-market menus were not actually cooked on the premises.

The reaction of professionals varies a lot. When I approached the Egon Ronay organisation, the reply after a 24-hour delay was "We prefer not to comment Somebody at the top has made this decision." But Christopher Driver, editor of the Good Food Guide, was *more forthcoming*: "Boil-in-the-bag entrees are both better and worse," says Driver. "They are preferable to something you would get from a mediocre chef. But our inspectors always ask if the food has been cooked on the premises."

A similar line was taken by Joseph Berkmann, chairman of a London restaurant chain including the Genevieve. "I used to run a frozen food company, although I now ban anything frozen. But pre-cooked chicken a la king would certainly taste better than what might be served up by a chef who had just been quarrelling with his wife—or even worse, with his mistress."

Knocking BNOC

Energy ministers and officials, with the fate of the British National Oil Corporation in their hands, were given an insight into the views of at least one private sector oil man yesterday. Algy Cluff, managing director of Cluff Oil, told London oil analysts how it felt to have BNOC as a partner in North Sea operating committees: "Just like having a camp commandant sitting on the prison escape committee."

Observer

Hard facts of life for Europe

WORLD STEEL production has been increasing since the depression of 1976-78 and is now back to approximately the levels of the early 1970s.

Simply to have regained lost ground is of little comfort: steelmakers are apprehensive about the future. They see no prospects yet of the sustained world boom in capital investment that is needed to increase markedly world steel consumption.

During the worst period of the recession western world steel output fell to some 35m tonnes a month. Output is now more than 40m tonnes a month and rising gently. However this improvement of the past year has not been shared equally among producers.

The principal new feature of steel supply and demand is that young steel producing nations are doing better than the older established industries. The steelmakers of Europe and Japan are still, by their standards, in recession. Nippon Steel, the biggest western world steelmaker, produced 31.2m tonnes in 1978 compared with 32.4m tonnes in 1977. The British Steel Corporation (which lost its third place in the world league this year to Bethlehem Steel of the U.S.) produced 16.7m tonnes in 1978 compared with 17.2m tonnes in 1977.

American steelmakers are in a better position than their Japanese and European counterparts because their market is relatively insulated. Most American companies have been working at high and profitable levels for at least the past 18 months.

But the most impressive increases in steel output are being achieved by the bigger developing nations. In the past year Brazil has increased production by 14 per cent, India by 10 per cent, and South Korea and Taiwan have both registered increases of nearly 70 per cent.

The patchy nature of the world scene gives no encouragement to British Steel, faced with Sir Keith Joseph's challenge to return from losses of £300m a year to break-even from March 1980. The corporation is undertaking a new, tough strategy to cut out the dead wood from its business.

If closure of iron and steelmaking at Shotton and Corby can be achieved over a reasonable time-span—British Steel will be some of the way towards meeting the target. But more closures will have to follow.

The present mood of the corporation management is to discard unprofitable export business and settle for a smaller steel output. By the early 1980s British Steel's annual production may be a steady 15m tonnes a year instead of the present 17m to 18m tonnes.

ROY HODSON

By GILES MERRITT in Brussels

THE EUROPEAN Commission at its headquarters in Brussels has neat colour-coded maps of EEC member countries to show how the face of the European steel industry should change by the mid-1980s. Green blobs indicate modern, streamlined complexes that will be the basis of highly competitive and profitable steelmaking in Europe, yellow patches are borderline cases where rationalisation and plant investment would pay off, and red dots represent steelworks that must close. In the cases of Britain and France, for example, the pretty patterns on the maps are made up of a background of red, a splash of yellow, and only a few green highlights.

That is what steel in the EEC adds up to. For although steel industries redundancies are already a heated political issue in many Common Market countries, only half the job losses planned have so far been declared. A further 80,000-100,000 men now working for steel producers still face unemployment and by the early 1980s the steel industry labour force which was 800,000 in 1974 will have been cut by 25 per cent.

Few people seriously doubt the need to slim the heavily loss-making steel sector back to health. The aim is to build a steel industry in which the cruder long products now being turned out more cheaply by the new steel making countries will be phased down in favour of sophisticated flat products and of high quality items that tend to be outside the newcomers' technical competence.

So how fares the Davignon Plan drawn up by the Brussels Commission and the EEC steel producers as the blueprint for the short-term rescue and longer-term survival of the industry? The answer is "tolerably well" on the tactical level of stabilising the community steel market through prices and production disciplines, but not at all well on the crucial restructuring strategy.

Now in its second year of implementation, the crisis plan drawn up by the EEC Industry Commissioner, Viscount Etienne Davignon, risks becoming the victim of its own success. The effectiveness of its short-term measures, together with improved demand for steel so far this year, seems to have eased pressure on the steel companies and blunted their Government's appetites for restructuring. As things stand, many of those colour-coded maps at the European Commission are destined to remain little more than a reminder of unfulfilled pledges. The target of nursing European steel to the point where 85 per cent of crude steelmaking capacity is in use, as against the present 64 per cent, will on present showing be missed by a mile.

Under the five-year EEC restructuring programme ending in 1983, the steel industry is due to cut crude steel capacity by 13.5 per cent. That is to say, present total Community capacity of 201.5m tonnes must by that year be sliced by 27m tonnes to 174.5m tonnes. The steel companies have lately been advised that to date their restructuring efforts are yielding a niggardly cut in capacity of only 1.8m tonnes.

The problem divides broadly into two elements. First, the efforts to press ahead with new investment are not on the whole being accompanied by closures. Between 1978 and 1982 modernisation programmes are due to add 17.1m tonnes to existing capacity, while the Commission estimates that even counting in steelworks closures as yet unannounced — meaning political nettles still to be grasped — foreseeable cuts add up to no more than 4m tonnes.

The second element, which greatly complicates the situation, is that the EEC steel industry is well aware that the present overcapacity figures are inflated. The steel companies have themselves been supplying capacity figures that overstate the existing gap between production levels and full capacity. Hence, although no one knows the true position, there is a tendency to discount the seriousness of the position.

It is a curious phenomenon of bluff and double-bluff in the world of senior steel industry management and national Government. As a counter in the negotiations to determine which companies should accept what handicaps (or gain what subsidies), problems are exaggerated. Contrariwise, because these exaggerations are known to be so widespread the forecasts of likely overcapacity are dismissed. To establish the true position at present, the steel industry has agreed to launch an internal investigation and will report before the end of this year. Eurofer, the Brussels-based "club" that groups over 90 per cent of EEC steelmakers, is sending out inspection teams to tour steelmaking installations and report on real capacities.

The guess in the industry is that the inspectors' findings will lop between 6m and 8m tonnes off present estimates of the EEC's crude steel capacity. But even with other cutbacks, that will leave a gap in 1984 of around 17m tonnes between reality and the goal of running crude steel output at 85 per cent of capacity and flat rolling plant at 80 per cent.

There are increasingly serious dangers in the present situation. The most obvious is that prices will remain depressed and European steel producers will feel forced into precisely the beggar-my-neighbour undercuttings that the short-term disciplines of the Davignon Plan have been designed to prevent. Indeed, although the delivery ceilings and price minima have worked well, the industry is now jibbing at the very restraints that have helped its recovery. Cheating has reportedly been widespread. It was limited by the sanction of fines that the Commission has been quick to impose. This year the likelihood that slightly more buoyant demand will see steel consumption in the EEC lift to 109m tonnes from last year's 103m tonnes will also ease competitive pressures inside the EEC.

But even the European Commission's gloomy overcapacity forecasts are based on demand trends that some experts consider over-optimistic. Using the device of a two-tier general economic assessment — the upper one being the more bullish view and the lower the more pessimistic—it calculates that consumption of EEC steel up to 1983 will either rise by 2.4 per cent annually, or by 2 per cent. Those figures were produced before the latest surge of OPEC oil prices and the general realisation that the worsening energy outlook seems bound to paralyse industrial growth during the coming decade.

The second major risk now facing the Davignon Plan and its signatories is that these stresses will lead to its collapse. The French Government is already vulnerable to domestic political attack because its determined policy in the case of the outmoded Lorraine industry is clearly not being matched by similarly draconian measures elsewhere, and notably not in Britain.

At the same time West Germany and Holland are deeply disturbed by the failure of Britain and Italy to accept the 18-month-old proposals for a steel aids code that would limit the distortions to fair trading stemming from national subsidies. *The Thatcher Government's recent decision to depart from its predecessor's stance* and accept the code in principle has eased the tension surrounding subventions. But there nevertheless remains an influential school of thought in the Ruhr and the Netherlands that a return to free market conditions in EEC steel would produce "streamlining" at the expense of neither of their competitive industries.

The European Commission now sees the establishment of an aids regime as vital to its giving the steel restructuring programme the re-launch that is evidently required.

Events tend to move slowly in the complex negotiating machine of the Common Market. Although Ireland, which has just taken over the presidency of the Council of Ministers, has the steel dossier high on its list of priorities, the chances are that there will be no new political pact to support the Davignon Plan before the end of 1979. Plans are now afoot to hold a special "steel council" within the EEC Foreign Ministers' Council to thrash out agreements on aids, should they still be unresolved, and the social measures required to cushion redundancy. Above all, the Ministers must examine the external trade agreements on steel for 1980, for the Commission's *ability to limit imports* through these bilateral pacts will continue to give the EEC industry a valuable breathing space.

It is hoped that the Council will also examine one aspect of the EEC steel industry's future that still remains under a large question mark. It is that of enlargement, for the inclusion of Greece, Spain and Portugal in the European Coal and Steel Community will by the mid-1980s have added a new dimension to the industry's problems. Greece and Portugal present few difficulties, for they produce only 0.5m tonnes and 1m tonnes a year respectively and should provide new market opportunities for the main producers in the Nine. The Greeks, however, are expanding their steelmaking capacity.

But Spain has an industry that produced 11.3m tonnes last year—which with a workforce only half as large as that in Britain compared well with British output of 20.3m tonnes—and is an export force to be reckoned with. "Bringing Spain, where the steel industry is almost the same size as that of Brazil, into the act," complained one observer recently, "is going to complicate matters enormously."

Perhaps exposure to the Spanish steel industry, which is in many respects more similar to the new steel producers of *Brazil or South Korea than to* those in the present Community, will drive home to the traditional industries of the Nine the urgent need for restructuring. It sometimes seems to Commission officials, at any rate, that the facts of life have not sunk home and that the steel industry prefers to see its present misfortunes as cyclical rather than structural. It is understandable in an industry which since World War Two has outpaced almost all others and believed until only a few years ago that in 1980 output in the Nine would reach 228m tonnes, as against the level now expected of less than 140m tonnes.

Letters to the Editor

Shotton and Corby

From Dr. J. M. Kay

Sir,—In your report (July 13) of the British Steel Corporation plans for closure of iron and steelmaking at Shotton and Corby, the chief executive of BSC is quoted as stating that it would not be possible for the corporation to make money while the heavy-end iron and steel plants at Shotton and Corby remained in production. If the issue was really as simple as this, and if there was any prospect of the Corporation in its present form becoming profitable as a consequence, the case for closure would be overwhelming despite the social consequences at Shotton and Corby.

If the real facts of the BSC problem are examined, however, the primary cause of the present massive losses will be found to be due not to the continued existence of steelmaking at Shotton and Corby but to the progressive loss of its UK domestic market by the Corporation as a whole, which may well be attributed to its failure to retain the confidence of its customers. The decline in the BSC share of the domestic market has been most marked since 1973 when the present centralised organisation was formed. During 1973 and 1974 at a time when both the UK and world market demand was very strong and well before the present recession in the European steel industry had set in, output of steel from the then strip mills division of BSC alone declined by 2m tonnes. This failure to produce steel and to meet customers' requirements was associated primarily with large modern plants such as Llanwern, Port Talbot and Teesside. It had nothing whatever to do with steelmaking plants and steelmaking practice employed at either Shotton or Corby.

There is a real danger now that the few remaining plants that are potentially viable as commercial units, notably Shotton and Corby, will be sacrificed in an attempt to cover up the profligacy of BSC development strategy at Redcar and Port Talbot.

As in previous closure campaigns claims that are now being advanced for estimated cost savings are based on a comparison on the one hand of current standard costs per tonne for older plants operating under unfavourable conditions, and on the other hand with projected marginal costs per tonne for new units at Redcar and Port Talbot operating under ideal conditions at levels of output and with yields which have never yet been achieved by BSC and which many people with long experience of the industry know are never likely to be achieved.

There will be a cruel disillusionment within a short time, if closure of steelmaking at Shotton and Corby is conceded, when it will be seen that the only result will have been a further drop in the Corporation's share of the UK market and continuing massive losses at favoured BSC major sites.

There is an answer to the problem but not the one put forward by the chief executive of BSC. The right approach would be to re-establish seven or eight autonomous companies which would be fully accountable and responsible for both their own production and sales. In this event Shotton and Corby would almost certainly establish themselves as profitable business concerns.

The big loss-makers would be: Llanwern, Port Talbot, Scunthorpe, Redcar, and Ravenscraig. Attention could then be directed to the real problem of cutting out the cancer at these works. If closures are necessary they should be sought in this area. There never was any valid commercial or technical case, for example, for the Redcar project. It will not produce "cheap" iron and steel as has been claimed, it is grossly over-capitalised and the right answer even at this late stage would be to cut tax-payers' losses by abandoning this development altogether.

J. M. Kay.
Church Farm,
St. Briavels,
Nr. Lydney, Glos.

Small firms and unemployment

From the Director General National Chamber of Trade.

Sir,—I am not sure what Mr. Musgrave (July 17) means by "hard economic theory" but I am sure he misses the point about the value of the small firm, so far as the national economy is concerned.

There are 1.2m small firms in this country employing 6m people (a quarter of the total workforce). Expansion in the small firms sector will mean job expansion on a scale that could not be matched by large firms—where efficiency tends to rely upon cutting back on staff in order to produce a given amount. Maybe the current attention given to small firms is largely a question of fashion, as Mr. Musgrave claims. If so, the National Chamber of Trade applauds this shift in public taste, because we firmly believe that the value to the nation of the small firms sector has been seriously underestimated for far too long.

Just think what it would mean to the jobs situation if every small firm employed just one more person. And consider the truth of the aphorism about "too many eggs in one basket" when it comes to propping up expensive commercial failures amongst the biggest firms of all.

Leslie Seeney.
Enterprise House,
Henley-on-Thames,
Oxon.

Secondary picketing

From the Chairman, Policy Committee, The Association of Independent Businesses

Sir,—The statement by Sir John Methven of the Confederation of British Industry that employers "would not shrink from taking 'secondary' pickets to court relies apparently on the attitudes of large companies.

Those running many smaller businesses would be extremely hesitant about starting a civil action against a trade union or its members over picketing. They would be deterred by cost, by fear of intimidation of themselves and their employees, and by fear of reprisals if an action was successful.

Secondary picketing, as usually practised, is a breach of the peace and therefore a matter for the criminal law.

Colin Dauris,
Europe House,
World Trade Centre, E1.

Students on exchange

From the Director, Industrial and Business Liaison Office, University of Nottingham

Sir,—One cannot but agree with Judy Lowe's view (July 13) that there is a need in the UK for a more specialised understanding of how its European partners think and operate. We have all been far too parochial for far too long.

How sad it is, then, that a once flourishing mechanism for giving UK undergraduates experience of working abroad in the long vacations should have reached its current low ebb. IAESTE (International Exchange of Students for Technical Experience) was a British initiative which has developed into an international operation. The scheme operates broadly on the principle of reciprocity—one overseas placement for a UK student being generated by each opportunity offered here. At one time over 1,000 students were benefiting from practical and relevant work experience abroad but the number has now shrunk to about 10 per cent of this figure.

While one can fully understand the many problems faced by industry and commerce in the last few years, surely it is in their long term self-interest to divert more than the 100 vacation jobs currently being offered.

R. V. Arnfield.
University of Nottingham,
University Park,
Nottingham.

Shock cold cure

From Mr. M. Stansfield

Sir,—While in no way wishing to pour cold water on the suggested relief for hay fever symptoms outlined by B. Finney (July 6) may I suggest that a far more effective "solution" for the discomfort caused to nose and throat is to thoroughly wet the nasal passages.

This may be achieved by filling a basin with cold water, carefully dipping the nose beneath the surface and inhaling gently. While this treatment is initially uncomfortable the relief, in my experience, is immediate and long-lasting, since not only are the internal blood-vessels restricted by the shock of the cold water thus reducing the "stuffy" feeling but the pollen, or other initiant, is also washed away.

Michael Stansfield,
37, Somerset Close,
Congleton, Cheshire.

Guaranteeing pensions

From Mr. T. Layborn

Sir,—I fear the publicity (June 26) given to the recent survey carried out by the National Association of Pension Funds (NAPF) is in some directions creating an erroneous impression.

The survey only covers 764 occupational schemes of which 127 were in the public sector leaving 637 as applying to the true private sector. Five per cent represents only 30 firms who are stated to offer complete protection against inflation by linking pension rises to the Retail Price Index. I doubt if an unconditional guarantee of this nature is really being given to the members of the schemes in question because I do not believe any body of trustees would give such a guarantee unless the employer in turn gave a similar guarantee to the trustees. Now I have sufficient faith in the boards of directors of our leading companies to believe they would not give such an unlimited and unconditional guarantee to the trustees. If they have done so however, has the fact been fully disclosed to the shareholders? I have studied some 100 reports and accounts of leading UK industrial companies and have failed to find any such notification to the shareholders: I am confident any reputable firm of auditors on becoming aware of such guarantee would insist on full disclosure. Personally I would not wish to be a shareholder in any company that gave a guarantee in respect of an unknown amount.

Incidentally, the 5 per cent as reported in your newspaper is reported elsewhere as being 18 per cent and in another highly reputed financial journal as only being a dozen cases which is a mere 2 per cent.

T. A. E. Layborn
5 Heath Rise,
Kersfield Road,
Putney Hill,
SW15.

That little difference

From Mr. H. Meyer

Sir,—Is there something significant to the fact that when a Labour Chancellor is forced to put minimum lending rate up to 15 per cent, crisis, doom, the collapse of Western civilisation unemployment and disaster face the nation. When a Conservative Chancellor puts MLR up to 14 per cent this is a sign of prosperity, firm government, progress and freedom? By this definition the difference between freedom and disaster is 1 per cent.

Herbert I. Meyer.
136b, Burnt Oak Broadway,
Edgware, Middlesex.

Deep Duffryn funding

From Mr. E. Schofield

Sir,—Unless my assessment is an over simplification the Deep Duffryn closure issue, seems to be as follows: The National Coal Board says that the colliery cannot be worked profitably. The National Union of Mineworkers says that it can, and wants to prove the point by opening a trial face. If this is the case, and the NUM is so confident why then doesn't it offer to fund the trial face?

E. Schofield
The Old Malthouse,
North Curry, Taunton

Today's Events

GENERAL

UK: Trades Union Congress employment, policy and organisation committee discusses industrial relations, London.

British Airports Authority publishes annual report.

Dr. David Owen statement on Opposition energy policy at Socialist Environment Resources Association meeting, House of Commons.

Royal Commission on the National Health Service statement.

Labour Party asks Mr. James Callaghan, Party chairman, to set up special inquiry into role of Parliamentary Labour Party.

London Chamber of Commerce and Industry conference on transport problems, Europe/Middle East.

Lady Wilson receives Freedom of City of London, Guildhall.

World Wine Fair and Festival opens, Bristol (until July 28).

Institute of Travel Managers council meeting, London.

British Open Golf Championships start, Lytham St. Annes (until July 21).

Overseas: M. Jean Francois Ponat, French Foreign Minister, arrives in Warsaw at start of two-day visit to Poland.

Second day of European Parliament, Strasbourg.

PARLIAMENTARY BUSINESS

House of Commons: Finance Bill remaining stages. Motion on the Housing (Limitation and Rent Income Increases) (Scotland) Revocation Order.

House of Lords: Debate on the *closure of "The Times." Debate* on the third report of the Law Commission on Family Property. Debate on baggage handling arrangements at Heathrow Airport.

OFFICIAL STATISTICS

Cyclical indicators for the UK economy (June). Basic rates of wages and normal weekly hours (June). Monthly index of average earnings (May).

COMPANY RESULTS

Final Dividends: Braham Miller Group. Illingworth Morris and Company. MFI Furniture Centres. Benjamin Priest and Sons (Holdings). Slytone. Vita-Tex. Western Board Mills. **Interim Dividends:** Birmid Qualcast. Gestetner Holdings. Habit Precision Engineering. Union Discount Company of London.

COMPANY MEETINGS

See Company Meetings on Page 25.

Magnet & Southerns up 38% to record £19.7m

RECORD profits and a big increase in the dividend are reported by the directors of Magnet and Southerns, manufacturer and retailer of prepared joinery, doors and ancillary products and timber importer.

Taxable profits rose 38 per cent from £14.25m to £19.66m in the year to March 31, 1979, on turnover 11.8 per cent higher at £118.13m, against £105.63m. The surplus includes investment income up from £344,522 to £891,314 and an extraordinary debit of £44,759, compared with a £31,338 credit.

The net total dividend is effectively lifted 44.5 per cent to 8.605555p (5.95456p), with a 6p final. A one-for-two scrip issue is also proposed.

At midway, profits were well ahead at £9.23m (£7.08m), and the directors said full-year results should be a record.

Mr. S Oxford, chairman, now says the outlook for the current year is excellent and present performance indicates that first-half profits will exceed last time.

Sales to the home improvement and DIY markets continue to expand and now account for more than 50 per cent of group turnover. These markets have tremendous potential and the group is well placed to take full advantage of this, the chairman adds.

The group is continuing its policy of opening new depots, and hopes to open a further 8 this year.

Tax for the year took £8.62m, against £5.2m. Stated earnings are up from 19p to 23.5p per 25p share.

SSAP 12 has been adopted, resulting in an extra £294,934 charge for depreciation. The directors explain that profits on disposals of property are no longer treated as extraordinary items but are included in the pre-tax profit. Comparisons have been restated.

See Lex

HIGHLIGHTS

The Milk Marketing Board, a co-operative controlled by Britain's dairy farmers, is to pay Unigate £88m for most of the company's milk manufacturing plants and associated stocks. Lex looks at the implications of this deal together with the good annual figures from Unigate, also announced yesterday. Elsewhere on the company scene Lex looks at sharply-higher figures from Magnet and Southerns. Looking further afield there is comment on the impact of the strong pound on financial markets while Lex also reviews U.S. oil shares in the wake of President Carter's proposals. Elsewhere, figures from Allied Colloids, HAT Group, Peter Brotherhood, Hogg Robinson and Yule Cato come in for comment on the inside pages.

Allied Colloids nears £6m with £1.44m improvement

AS FORESHADOWED in January, second-half profits of Allied Colloids Group at £3.35m, against £2.16m, exceeded those of the first six months. This resulted in pre-tax surplus for the year ended March 31, 1979 ahead from £4.52m to a record £5.96m, on turnover of £29.49m, against £22.87m.

In the first three months of the current year, turnover of the industrial chemicals group is 20 per cent ahead. However, with the group subject to continual cost increases and with the higher value of sterling, the directors say it is too early to give any firm forecast as to the current year's outcome.

The group is continuing its capital investment programme, which this year will be at a record level, and it has a number of new specialities for which the directors believe there will be a substantial demand.

Tax for the year took £2.23m (£1.41m) giving earnings per 10p share up from 7.352p to 8.819p. A net final dividend of 1.897p raises the total payment to 2.541p (1.694p).

Dividends absorb £1.07m (£0.72m) leaving the retained surplus at £2.66m, compared with £2.39m.

● comment

Up 10p yesterday to 104p, Allied Colloids retains a glamour rating. On a fully taxed historic p/e of 14.5 and a yield of just 2.7 per cent (after a 50 per cent dividend increase) the shares are supported by some margins expansion and 32 per cent pre-tax growth. But the group is now flying warning signals with not a little urgency. Turnover is ahead by a fifth in the first quarter of the current year but, with 75 per cent of production sold overseas, the effect of adverse currency movement is clearly not to be underestimated. Price increases, which began to make an impact in the second half of the year to end-March last are now more necessary than ever. Capital spending is set to rise by around £1m from the recent level of some £2.5m and the overall tax charge is thus set to subside from the most recent level of 37 per cent. Gearing remains very low—overdrafts are understood to be about £1.6m in the forthcoming balance sheet—and there should be plenty of backing for the new ranges of speciality chemicals, which are said to have been well received on initial commercial application. But, if a lower tax charge may help earnings this time it would be surprising if margins did not come under pressure.

Stroud Riley falls to £406,000

With a £69,000 decline in the second half Stroud Riley Drummond, worsted spinning and knitted fabrics manufacturer, finished the year to March 31, 1979, with taxable profit down from £480,000 to £406,000.

Earnings per 25p share are stated at 6.31p (13.17p) and the net total dividend is held at 1.5p by a 1p final.

The net surplus emerged at £236,000 (£459,000) after tax of £180,000 (£31,000). Depreciation took £156,000 (£143,000).

18% rise by Fuller Smith

PROFITS BEFORE tax of Fuller Smith and Turner, brewer and wine and spirit merchant, were ahead by 18 per cent from £1,189,503 to £1,404,762 for the year ended March 31, 1979 although as forewarned at the interim stage the company failed to maintain the rate of increase of the first six months.

In December, when reporting higher first-half profits of £741,590 (£587,981), Major L. J. Turner, the chairman, said that *production was stretched to capacity* and the company had embarked on stage II of redevelopment. Profits in the corresponding half-year were hit by industrial unrest in July, 1977.

The chairman now says that trading in the first three months of the current year has been very quiet mainly as a result of bad weather and the company's inability to satisfy peak demands at holiday periods.

However, given reasonable weather, he is sure the company will be able to sell all it can produce until its new plant is on stream in 1981. For this reason, no substantial growth in profits is expected this year.

Turnover for the 1978-79 year rose by 14.7 per cent to £17.84m, although production was limited by the development programme. After tax of £670,868 (£585,502), minorities and preference dividends, earnings available for ordinary holders improved from £587,201 to £712,741.

Earnings per £1 share, before extraordinary items, are shown as 33.41p (27.53p), while a final dividend of 3.5p makes a total for the year of 7p (5.8p). The company has "close" status.

At the year-end, net liquid funds had increased by £1.45m compared with a £33,471 rise previously. This resulted from raising a new debenture and a sale of property as part of the company's policy for financing the cost of developing its brewery.

H.A.T. on target with £2.62m profit

PROFITS BEFORE tax of HAT Group, specialist sub-contractor to the building industry, advanced from £2.09m to £2.62m for the year ended February 23, 1979, in line with the forecast of not less than £2.6m made in April at the time of the accepted offer for Glass and Metal. Turnover rose by £10.84m to £75.2m.

First-half pre-tax surplus had improved from £1.14m to £1.23m and the directors said then that full year turnover and profits should comfortably exceed the previous year.

Tax charge for the year was well down at £46,000 (£465,000) and earnings per 10p share increased from 4p to 6.3p. The dividend total is effectively raised from an adjusted 1.5087p to 1.71p net, with a 0.885p final.

	1978-79 £000	1977-78 £000
Turnover	75,196	64,357
Trading profit	2,637	2,113
Loan interest	17	20
Profit before tax	2,620	2,092
Taxation	46	465
Net profit	2,574	1,627
To minorities	15	6
Available	2,559	1,621
Dividends	758	605
Retained	1,801	1,016

● comment

HAT Group's pre-tax profits are up 25 per cent from last year's figures, but they are still lower than 1977. Harsh winter weather and a lengthy programme of reorganising management account for part of the unimpressive 1979 figure. The group also reorganised its plumbing division which had been running at a loss. Labour costs in an uncertain building industry contributed further problems. The group's solution is to move away from subcontracting and into maintenance, a sector seen as more buoyant. The recent acquisition of Glass and Metal (for £3.6m) is designed, in part, to boost pre-tax profits next year by an estimated £500,000. The group's turnover has increased by 16.8 per cent. At 30p the yield is 8.4 per cent, covered 3.4 times, and the p/e is 4.7. HAT Group's performance has been respectable, but certainly not exciting.

Berisfords rises to £520,000

PRE-TAX profits of Berisfords, *ribbon maker*, increased from £470,000 to £520,000 in the half-year to May 19, 1979, on higher turnover of £4.77m, against £4.2m. In the last full year, the taxable surplus reached £1.15m (£1.04m).

Mr. John F. Sebire, chairman, says the improved turnover was mainly due to a 20 per cent rise in home trade sales. Exports suffered from the transport strike, but the group is hoping to recover lost ground in the second half.

The divisions are reasonably busy and most have good order books so the group expects to increase sales during the remainder of the year. However, the chairman says escalating costs are causing concern.

The group is now looking forward to 1980, and a capital programme for additional modernisation of plant is already taking shape. Exports continue to be a prime concern and the chairman hopes new markets will become available as the product range grows.

The net interim dividend is stepped up from 0.7747p to 1.2p, and the directors expect to pay a final not less than last year's 2.087p. The rise in the interim reflects their proposals to bring the distribution more in line with profit increases during the past few years and, at the same time, to reduce disparity.

Tax for the half-year took £31,000, compared with £27,000. Earnings per 25p share are shown to have risen from 10.9p to 12.1p.

Birmingham Mint profit up 79%: bright prospects

FOLLOWING the £32,000 rise to £266,000 in the first half, profits before tax of The Birmingham Mint jumped from £386,000 to £691,000 in the year ended March 31, 1979, an increase of 79 per cent.

The directors say the improved trend has continued into the current year with first quarter profits exceeding those for the same period last year. The forward order books for coinage are particularly strong at present.

Earnings per share for 1978-79 are shown at 28.7p against 16.8p and the final dividend is lifted from 3.36p to 5.7p making a total of 7.5p compared with 4.86p.

The principal factors underlying the improvement were the strong demand for coinage around the world and reduced trading losses at Mint Security, the security services subsidiary, during the nine months of the year prior to its sale in January, 1979.

	Year 1978-79 £000	1977-78 £000
Turnover	10,587	9,050
Profit before tax	691	386
Tax	112	32
Net profit	579	354
Minorities	1	14
Extraord. credits	*172	†57
Dividends	153	101
Retained	597	182

* Profit on sale of Mint Security. † Debit.

The group had a strong balance sheet at the year end with liquid funds totalling £1.29m, which the Board intends to invest in improved plant for the existing businesses and in suitable acquisitions.

A total of £840,000 has recently been committed to the installation of a new rolling mill and associated plant over the next 18 months. This investment is designed to enhance quality, reduce production costs, and create *additional capacity*, the directors say.

Glass Glover making strong headway

With turnover ahead 34 per cent, pre-tax profits of Glass Glover Group improved 32 per cent from £132,170 to £174,223 in the six months to March 31, 1979. And the directors are forecasting that the full year result will comfortably exceed £500,000, compared with last year's £480,740.

The net interim dividend is stepped up from 0.2616p to 0.4165p—last year's total was 1.19p. Half-year earnings are given at 1.4421p (1.0812p).

The group has recently obtained a professional open market valuation on its two principal properties. These show a current combined value of £1.3m, against £564,500 in the last balance sheet. The valuation will be reflected in the *annual accounts*.

The group operates as a food distributor and importer of fresh fruit and vegetables.

	Six months 1978-79 £	1977-78 £
Group turnover	11,827,225	8,819,739
Trading profit	152,342	121,018
Interest receivable	21,881	11,152
Profit before tax	174,223	132,170
Tax	93,100	71,350
Net profit	81,123	60,820
Interim dividend	23,430	14,716

Hogg Robinson improves to £9.2m at year-end

IN WHAT Mr. Morris Abbott, chairman of Hogg Robinson Group, describes as a difficult year with the strengthening of sterling affecting profits, the company finished the 12 months to March 31, 1979 with a pre-tax figure of £9.21m against £9.02m. Last year's results have been adjusted to reflect the sale of 60 per cent of the previous wholly owned Nigerian subsidiary.

At the interim stage, when an advance from £3.2m to £3.37m was reported, a further improvement in full year profits was forecast.

Yearly earnings per 25p share are 13p (12.05p) and the net final dividend is 2.24p net, effectively lifting the total payment from 4.14p to 4.94p at a cost of £1.93m (£1.4m).

Mr. Abbott reports that UK insurance broking interests again performed extremely well with a worthwhile increase in both turnover and profit contribution while investment income generally increased, helped also by the sale of certain investments.

The contribution from overseas broking interests is down partly due to difficult market conditions, but also to changes in shareholding in certain areas.

Travel agencies had a good year, while shipping and freight forwarding shows a marked improvement.

The contribution from underwriting agencies which reflects the 1976 Lloyd's account is substantially down on the previous year's "very good" account.

A divisional analysis of turnover and profits (£000s omitted) shows: insurance broking 22,873 (19,983) and 4,214 (4,511); Lloyds underwriting agencies 1,985 (2,588) and 1,638 (2,438); travel agencies 3,179 (2,440) and 502 (407); shipping and freight forwarding 2,976 (2,724) and 10 (241) loss; re-insurance underwriting 298 and 64 (81) loss; equipment leasing 924 and 49 (30); investment income and profits 2,857 (1,997).

Tax for the year took £4.37m (£4.51m), minority profits were £425,000 (£350,000) and last year there was a £76,000 special pension contribution.

After extraordinary debits of £253,000 (nil) and exchange loss on consolidation of £155,000 the attributable balance came through at £4.01m (£3.97m).

● comment

Like all insurance brokers, Hogg Robinson has suffered from the effects of a strong pound in the last year. Some £600,000 was lopped off ground performance by currency movements. But this was offset by an improvement in UK brokerage which accounts for 80 per cent of the group total. So the fall in broking profits is due to competitive conditions in overseas markets. Lloyd's underwriting agencies activities suffered a setback and Hogg is one of the first brokers to report results in this area for the 1976 underwriting account year, which does not bode well for others in the sector. Loss elimination on the shipping and freight forwarding activities, and a boost in investment income, thanks in part to extra sales of investments, helped profits forward. An uninspiring year is in view for all insurance brokers, so Hogg's shares at 94p, standing on an historic p/e of 7.1 and yielding 7.9 per cent look correctly rated.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alwood Machine		0.4	—	0.38	0.4	0.38
Allied Colloids		1.9	Oct. 13	1.12	2.54	1.69
Berisfords	int.	1.2‡	Aug. 31	0.77	—	2.76
B'ham Mint		5.7	—	3.36	7.5	4.86
Bootham		5.5	—	2.25*	—	5.15*
P. Brotherhood		4.61	Oct. 1	4.54	6.45	6.45
Glass Glover	int.	0.42	Oct. 1	0.26	—	1.19
Hampton Gold		6	Sept. 7	1.25	3.5	1.25
H.A.T. Group		0.89†	Oct. 2	0.75*	1.71	1.51*
Heron Motor		0.92	—	0.77*	1.72	1.45*
Hogg Robinson		2.24	Oct. 1	1.77*	4.94	4.14*
Jones Stroud		3.2	Oct. 20	3.07	5.2	4.87
Magnet & Southerns		6	Oct. 1	3.62*	8.61	5.95*
Meldrum Inv. Tst.	int.	1	Sept. 5	0.75	—	2.1
Oil and Associated		1.84	Aug. 31	1.56	2.49	2.1
Stroud Riley		1	Sept. 14	1	1.5	1.5
Trafford Carpets		0.75	Oct. 1	0.65	1.15	1.05
Unigate		3.2	Oct. 1	2.11	4.7	3.44
Yule Catto	int.	0.8	Aug. 30	nil	—	1.54

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisitions issues. ‡ To reduce disparity. § Final of not less than 2.087 forecast. ¶ 2.4p total forecast.

P. Brotherhood profits slump

LOSSES in the second half amounting to £120,921 against a £443,585 profit in the same period last year has left Peter Brotherhood, machinery and power plant maker, with a pretax profit of only £12,079 at the end of the year to March 31, 1979.

The year's result compares with £763,535 in 1977-78 which was well down on the previous year's £1.66m.

Midway profits had slumped from £320,000 to £133,000 and the directors said then that trading conditions had remained difficult. Turnover was influenced by delivery dates of individual contracts—substantial deliveries were due to be made in the *last* quarter of the year which might be jeopardised by shipment problems.

The year's profit is struck before a tax credit of £53,341 against a £314,526 charge. The final dividend is 4.6063p maintaining the total at 6.4488p.

● comment

The case of *almost vanishing* profits at Peter Brotherhood comes as something of a shock—the shares fell 4p yesterday to 85p—but having warned at the interim stage that substantial contract deliveries were to be made in the last quarter of the financial year it is, with hindsight, fairly obvious that the transport strike and adverse weather would scupper any hopes of remedying the first half profit slide. As it was, the group lost £121,000 in the second six months of the year. Delivery problems swelled work-in-progress by some £1.2m to £5.9m which helps explain a rise in debt servicing costs of £154,000 to £275,000. Turnover which has been deferred into the current period amounts to about £900,000 while delays in completing the more difficult contracts to which Brotherhood must turn when demand is down probably total a further £300,000. With overseas sales accounting for around 60 per cent of the whole, exchange rate *variations* are naturally going to create fresh problems this year but the board is now talking of a substantial improvement in the rate of order intake, which presumably raises the quality of the order mix, on reasonable margins. The decision to maintain the dividend is the only outward sign of confidence, as yet, where the yield is 11.5 per cent.

McMullen ahead at six months

For the six months to March 31, 1979, pre-tax profits of McMullen and Sons advanced from £834,000 to £903,000. The last full year's figure was £1.84m.

First half turnover rose from £6.08m to £6.95m. The net interim dividend is 0.525p.

Yule Catto soars 92% in first six months

REFLECTING substantially higher earnings from its Malaysian plantations, taxable profit of Yule Catto and Company soared 92 per cent from £684,502 to £1.31m for the six months to April 28, 1979.

Turnover by the group, whose main interests are rubber and oil palm cultivation, thermoplastics fabrication and industrial and commercial investments and properties, jumped to £8.52m from £4.76m.

The plantations sales proceeds benefited from a satisfactory harvest and commodity prices. The company points out that plantation results for the first half of 1977/78 were well below forecast because of drought conditions in 1977 and 1978.

Lord Catto, the chairman, says: "My current assessment is that overall attributable earnings for the full year should be similar to last year; I consider this to be quite satisfactory in view of the capital repayments of £1.8m made to shareholders last October."

After tax up from £335,408 to £641,351, half-time earnings per 10p share are stated up at 2.72p (2.02p). The net interim dividend is 0.8p. Last time no interim was paid but the final was a maximum permitted 1.54p on record profit of £2.78m.

The chairman expects a 30 per cent increase in the total distribution for 1978/79 to 2p.

Overall, the group's UK activities produced higher profits during the half-year, with marinas beating forecast and Thomas Bell showing a steady increase. However, performance by William Cox remained below expectations.

	1979	1978
	£	£
Turnover	8,524,985	4,763,125
Trading profit	1,185,912	625,781
Investment inc.	125,548	62,704
Interest paid	2,575	3,983
Pre-tax profit	1,308,880	684,502
Tax	667,529	349,094
Net profit	641,351	335,408
Extraord. loss	15,445†	—
From reserves	5,445	—
To minorities	190,113	—
Attributable	451,238	335,408

† Loss on sale of quoted investment.

A £5,445 extraordinary loss, this time, on the sale of a quoted investment was covered by a transfer from reserves.

● **comment**

Pulling pleasant surprises out of the hat is becoming a habit with Yule Catto. Its latest figures are again above expectations and the share price rose 8p to 95p. The chairman's forecast that full-year attributable earnings will be similar to last year's £1.17m may therefore be viewed a little sceptically, not least as this gives a high prospective p/e of 13.4. Some caution, however, is justified. The 92 per cent rise in interim profits is clearly aberrant, coming after the drought problems of the previous first half, and the strong rise in rubber prices will mostly be swallowed by Malaysian taxes. Plantations made up around 80 per cent of first half trading profits and will clearly dominate the final six months but a 10 cent sterling rise against the ringgit knocks £20,000 off the trading figure and it has risen 20 cents since the beginning of May. Most importantly, however, the group will have to pay a full minorities charge to Johore State for the first time. Most of the sale proceeds have been absorbed by a capital repayment scheme and the remaining £1.1m will not offer a return to compare with the 20 per cent which may well be achieved on plantations. The group will therefore need to earn a fair amount more at the trading level to maintain attributable profits.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Birmid Qualcast, Gestetner, Habit Precision Engineering, Union Discount, Woolcombers.

Finals—Braham Millar, Illingworth Morris, Jones Stroud, Mfi Furniture, Benjamin Priest, Sytone, Vita-Tex, Western Board Mills, Wiggins.

FUTURE DATES

Interims—	
Allan Harvey and Ross	Sept. 12
Bank Leumi (U.K.)	July 25
IMI	Aug. 28
Morgan Crucible	Sep. 6
Finals—	
Diamond Stylus	Aug. 9
Elbief	July 20
Forminster	July 26
Gnome Photographic	Aug. 2
Gordon and Gotch	July 26
Great Universal Stores	July 19
Howard Shuttering	Aug. 6
Stavert Zigomala	July 30

Heron reaches record £3.5m

IN DIFFICULT trading conditions during 1978-79 Heron Motor Group lifted taxable profit by 15 per cent to a record £3.53m; improved trading margins; and raised profitability per employee by 27 per cent.

Improvement was forecast at half-time when profit was £373,000 ahead to £1.8m but, the advance in the second half slowed to £99,000.

Turnover for the year to March 31, 1979 was up at £136.5m (£133.5m) with the sales produced by the continuing branches 13 per cent higher at £131m against £116m.

Mr. Peter Reynolds, chief executive, points out that, though the group has closed some depots with insufficient profitability, it has been strengthening its position in other areas, particularly in the South East. It has also invested more heavily in the truck and van rental operations where considerable scope for growth is seen.

A reasonable start has been made to the current year and the group expects to benefit from its stronger operating position, he says.

Heron continues to have very substantial unused bank facilities. At the year-end, net bank borrowings were down £0.94m at £1m and shareholders' funds were £21.8m (£18.7m).

A lower tax charge for the year of £446,000 (£628,000) left earnings per 25p share 1.12p better at 8.18p. A net final of 0.92p effectively raises the total to 1.72p, compared with 1.45p, which costs £685,000 (£516,000).

Profit was struck after interest down from £1.14m to £887,000 and there was an extraordinary gain of £229,000 (£1.72m).

● **comment**

Heron Motor's enviable ability to cut debt servicing charges has once again proved the salvation of margins. At the trading level, profits expanded by just 5 per cent while turnover climbed 13 per cent, adjusting for the effect of three barely profitable depot closures during the year, but a 22 per cent reduction of interest payable pushed pre-tax profits ahead by 15 per cent. The impact of the transport strike and appalling winter weather is difficult to quantify. Although, if pushed, the group would estimate that the profit cut may have been in the region of £250,000 pre-tax. But the winter clearly stalled the push into greater used car sales and servicing involvement. With higher preparation and marketing costs, used car sales were down during the year but while, avoiding the move into wholesale mass discounting, new car sales rose by a tenth to 13,000 units as the Austin-Morris range became far more freely available. Three more branches arec losing or have been closed so far this year and Heron is now scrutinising its depot network with a view to putting in other manufacturer's franchises in areas of high BL competition. The group's first Peugeot depot was opened at Halesowen three weeks ago. The shares dropped ½p to 55p yesterday where the p/e of 6.6 on published earnings probably offers more support than a yield of 4.5 per cent.

Today's company meetings

Alliance Investments, 1-2, Laurence Pountney Hill, EC, 2.30. Bisichi Tin, 99, Aldwych, WC, 12. Brown Shipley, Founders Court, Lothbury, EC, 12.30. Continuous Stationery, 27, Eaton Place, SW, 12. Courtaulds, Europa Hotel, Grosvenor Square, W, 12. Dawson International North British Hotel, Edinburgh, 11.45. English and International Trust, 117, Old Broad Street, EC, 2.30. Luis Gordon, Caxton Hall, Caxton Street, SW, 12. Guthrie, 20, Aldermanbury, EC, 11.30. Highams Wood Nook Mills, Accrington, 12.30. Philip Hill Investment Trust, 8, Waterloo Place, SW, 2.45. Tebbitt, 34, Portland Place, W, 12. Wedgwood, 34, Wigmore Street W, 11.

ISSUE NEWS

Essex Water raising £6m

AN OFFER for sale by tender has been launched by the Essex Water Company to raise £6m. The offer is of 8 per cent Redeemable Preference stock at a minimum price of par and redeemable in October 1984.

Tenders should be in by Tuesday, July 4 with a deposit of £10 per cent on application. The balance of the purchase money will be due on September 27. As usual tenders must be for a minimum of £100.

The first dividend on the stock will be £4.208 per cent payable next March and thereafter dividends will be paid half-yearly on September 30 and March 31.

Brokers to the issue are Seymour Pierce and Company.

● **comment**

This Essex offer is likely to be the last new five-year stock to come onto the "water" market for some time and so undoubtedly institutions after franked investment income will be in with their applications next Tuesday morning unless anything dramatic happens in the market to upset the balance. At par, the minimum price, the yield is 11.42 per cent but judging by the hefty oversubscription seen for the Wrexham offer earlier this month tender prices may well need to be pitched a full point over the minimum. At that level the flat yield comes down to 11.32 per cent and the redemption yield would be 11.16 per cent. For those able to take the benefit of franked investment income the equivalent running return is worth 16½ per cent.

Abwood plans dividend boost

A £224,500 rights issue has been launched by engineering company Abwood Machine Tools, along with news of record profits of £75,102 for the year ended last March and a forecast of a more than doubled dividend in the current year.

Part of the proceeds will be used to purchase more modern plant and equipment. The company expects to take delivery of a new computer numerical control machinery centre towards the end of 1979 at a cost of about £140,000. This will increase the company's capacity and reduce its dependence on sub-contractors. Furthermore, the company is considering expansion by acquisition to broaden its product base.

The details of the issue, which is underwritten by Brown Shipley, are that a one-for-one scrip issue will be made in 5p shares and then the capital will be consolidated into 10p shares, followed by a one-for-one rights issue at 14p each. In the market the shares rose 1p to 28p.

Of the 1.7m shares to be issued by way of rights the directors will be taking up their full entitlement of 411,534 shares.

Turning to the preliminary results the directors point out that exports now represent 28 per cent of sales. The company has also been appointed sole selling agent in the UK for a number of products complementary to its existing range.

They add that there is an adequate level of forward orders and the company continues to trade satisfactorily.

The directors are recommending a final dividend of 0.4p per share and intend to pay dividends for the year ending March 1980 of 0.85p per share, an increase of 112 per cent.

An egm is called on August 2 for shareholders to consider an increase in the capital.

Startrite's Pref. scrip

Startrite, the engineering group, has decided to resurrect its plans for a preference scrip issue. Last October when the Treasury ruled that interest on preference shares issued by way of scrip would have to be offset against ordinary dividend payments.

Following the removal of dividend restraint Startrite will proceed with its original plans except that the coupon rate on the proposed preference will be lifted from 10½ to 11 per cent.

Details of the issue are one new ordinary share for each ordinary and four new £1 cumulative preference shares for every 15 ordinary presently held.

These will bring the issued capital up to £1m and give the company trustee status.

An egm will be needed for shareholders to consider the proposals.

YEARLINGS UP TO 12½%

The coupon rate on the local authority yearling issues is up again this week to 12½ per cent—a rise of a quarter point. The bonds are dated July 23, 1980, and priced at par.

This week's issues are: Gwynedd County Council (£¼m), City of Manchester (£1½m), Kerrier District Council (£½m), Royal Borough of Windsor and Maidenhead (£½m), City of Nottingham (£½m), Southend-on-Sea Borough Council (£¼m), Borough of Poole (£½m), Stafford Borough Council (£¼m), Borough of Sunderland (£1m), Vale Royal District Council (£¼m), City of Kingston upon Hull (£1m), Tendring District Council (£½m), City of Manchester (£1½m), Borough of Scunthorpe (£½m), Reigate and Banstead District Council (£½m), Castle Point District Council (£½m), City of Glasgow District Council (£2m), London Borough of Tower Hamlets (£1m), City of Nottingham (£½m), London Borough of Camden (£1m), Merthyr Tydfil Borough Council (£½m).

McCORQUODALE

Acceptances have been received for 2,322,426 shares representing approximately 73 per cent of McCorquodale's rights issue. The shares not taken up have been sold in the market at a net price of 105p per new share.

BIDS AND DEALS

Canadians bid £2m for North Sea service company

A private Canadian company owned by the Tanenbaum family of Toronto yesterday made a £2.2m bid for the Aberdeen fuel distribution and North Sea oil service group, Ellis and McHardy.

The bid, for 185p cash per share, is being made through The Mackan Group (UK), which was set up this year and has a number of property and investment interests, chiefly in North-east Scotland.

Ellis and McHardy directors and certain other shareholders have given irrevocable undertakings to accept the offer in respect of shares totalling just over 40 per cent of the capital. Among the conditions of the offer is the continuation of an agreement by BP Oil over its existing oil distribution contract with Ellis.

Shares of Ellis and McHardy were suspended yesterday at 67p. The company is forecasting pre-tax profits of around £330,000 for the year to July 31 compared with the previous year's £283,000. Attributable profits will be £225,000 (£137,273), except that this year the company is adopting accounting standard SSAP 15. Existing shareholders in Ellis will be paid an interim dividend of 3.04125p a share, the same as last year's final dividend, in lieu of a final payment.

Neither Mackan, nor any company associated with it has any shares in Ellis and McHardy. Mackan UK is owned by The Mackan Group of Toronto, the holding company for the *international* group of commercial and industrial banking companies owned or controlled by the Tanenbaum family.

Net tangible assets of the Aberdeen company at July 31 last year were £1.21m, including deferred tax, and a property valuotion on June 1, 1979, shows a surplus of £801,000 over book value.

Financial advisers to Ellis and McHardy are Noble Grossart. Mackan is being advised by Morgan Grenfell.

Bain Dawes buys two P & O offshoots

Inchcape and Co.'s Lloyd's insurance broking subsidiary **Bain Dawes** has acquired from Peninsular and Oriental Steam Navigation Company, the Bishopsgate Insurance Company and its subsidiary Leadenhall Insurance Company in a cash deal worth £5.28m.

It was only last week that Bain Dawes announced that MM Worms et Cie, the French financial institution, had acquired a stake in its operations.

Bishopgate's profits before tax for the year ended December 31, 1978, were £500,000 and premium income amounted to £13m. Profits for the current year are estimated at £1m.

Bishopsgate Australia is to remain a wholly owned subsidiary of P & O Australia.

Bishopsgate writes a general insurance account with particular emphasis on the marine and non-marine markets in London, together with an expanding regional office.

No change is contemplated in the existing underwriting management and staff, and Bain Dawes intends to continue Bishopsgate's present underwriting policy.

The acquisition of Bishopsgate is part of Bain Dawes's strategy of diversification into underwriting management and agency activities, and follows the purchase a few months ago of a majority interest in Gilliat Scotford and Hayworth, Lloyd's underwriting agents.

PLESSEY

Plessey is holding talks with ATL, an Australian electronic betting systems concern, to examine the possibility of making an offer. (See Page 30.)

DANA-EUROPE

Dana-Europe, the European management company of Dana Corporation of the U.S., and Intertruck of the UK, are holding discussions to evaluate the benefits of Intertruck and its subsidiary and associated companies, Truckparts, Autotube and Plastics and Intertruck Continental BV (Holland), being acquired by Dana-Europe.

The Intertruck companies manufacture haulage trailer components and distribute a wide range of truck and trailer parts. Their operations are seen as making an excellent fit with Dana Corporation's world-wide interests in transmission, engine and axle components for the truck market.

ACCOUNTANTS MERGING

Ernst and Whiney and Baker Sutton are to merge with effect from September 1, 1979. The name of the new practice will be called Ernst and Whinney.

Baker Sutton has many insurance clients and Ernst and Whinney, which is the name adopted by the company at the beginning of this month by the merger of Whinney Murray and Co. and Turquands Barton and Mayhew, iss eeking to develop its services to the insurance industry.

Baker Sutton has 15 partners and some 250 staff and offices in London and Ipswich.

The combined UK firm will have 199 partners and 2,750 staff on a nationwide basis. Ernst and Whinney has 304 offices in 71 countries.

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HAYDOCK PARK

The offer on behalf of **Racecourse Holdings Trust** to aqcuire the Ordinary capital of **Haydock Park Racecourse Company** has been declared unconditional. The offer has been accepted by holders of 2,438 ordinary shares representing 89.63 per cent of the capital. The offer has been extended until further notice.

BET PURCHASE

Reclamation and Disposal—the BET Group waste disposal holding company—has acquired Clear Waste, a private company, based at Thetford in Norfolk.

Clear Waste is principally engaged in the collection and disposal of industrial effluents and agricultural sludges in East Anglia.

ASSOCIATE DEAL

Montague, Loebl, Stanley and Co., on behalf of discretionary investment clients, has bought **7,500 Mining Investment Corporation** shares at 96p and 10,000 at 97p. The company has also bought on behalf of discretionary investment clients 1,000 **Barnett and Hallamshire Holdings** at 400p and 1,000 at 407p.

VICKERS SELLS PRODUCT RANGE

***John Macdonald* and Company (Pneumatic Tools),** the compressed air tool manufacturer, has bought the manufacturing and marketing rights for the hydraulic breaker and other tools from **RV Hydratools,** a subsidiary of Vickers.

Macdonald has bought from RV Hydratools the stock in trade of the Hydratools hydraulic concrete breakers, the Hydrapac power units and other hydraulic tools for the construction industry.

SHARE STAKES

Empire Plantations and Investments—G. A. Whitaker, director, has sold 25,000 shares.

East Rand Consolidated—N. H. Marshall, director, has sold his entire shareholdings of 1m shares to a private company in South Africa owned by three family trusts. He is a trustee of all three trusts but does not have any beneficial interest therein. D. C. Marshall, director, is a trustee of two of the trusts and he is the sole beneficiary of one one of the trusts.

Christopher Moran Group—Viscount Hall, director, bought 1,000 shares at 33p.

H. and J. Quick Group—Holdings of G. F. Littler, director, as trustee have been reduced as follows: by 775 preference shares to nil and 23,001 ordinary shares to 305,936. J. A. Quick, director, has acquired shares as a beneficiary of certain trusts and he is now beneficial owner of these additional shares as follows: 375 preference shares increasing holding to 500 and 7,417 ordinary shares increasing holding to 25,452.

Allied Breweries on course

CONTINUED satisfactory sales were reported by Mr. Keith Showering, the chairman of Allied Breweries, at yesterday's extraordinary meeting.

He declined to elaborate, but said after the meeting that "we are absolutely on track." He expected J. Lyons, acquired last September, to provide about 15 per cent of profits compared with about half of the sales total.

In the latest 17-month accounting period—the year-end has been changed from the end of September to the first week in March—Allied made a pre-tax profit of £123.5m on turnover of £2.2bn.

Jones Stroud ahead

TAXABLE PROFITS of Jones Stroud (Holdings) rose from £2.41m to £2.8m in the year to March 31, 1979, on increased turnover of £28.69m, against £25.59m.

At midway, profits were up from £1.17m to £1.41m, and the directors said the full-year surplus should comfortably exceed last year's figure.

Tax for the year took £791,000 (£493,000). Extraordinary debits total £195,000 (£282,000).

Earnings per 25p share are shown at 21.69p (21.31p) before extraordinary items. The net final dividend of 3.2p lifts the total to 5.2p (4.667p).

The group makes fabrics, accessories and materials for the textile and electrical industries.

Decline shown by Trafford Carpets

TRAFFORD CARPETS—Co Page

Though second half pre-tax loss was sharply lower at £15,949, against £36,368, Trafford Carpets (Holdings) ended the year to March 31, 1979, with profit cut from £32,332 to £26,551.

After tax of £9,351 (£10,644) earnings per 25p share were down from 1.51p to 1.19p. A 0.75p net final dividend lifts the total to 1.75p (1.675p).

Sales by the group were up at £4.03m (£3.63m). Profit included an exceptional credit of £63,000 (£15,368).

WGI—86.9%

WGI announces that acceptances were received for 86.9 per cent of the 1.33m shares offered by way of rights. The balance not taken up has been sold at a premium and the net proceeds (18.5p per share) will be remitted except for amounts less than £1.

CARRIGALINE

Carrigaline Pottery, the Irish manufacturer of domestic earthenware and ceramic fireplace tiles, yesterday asked for its shares to be suspended.

MINING NEWS

UK COMPANY NEWS

Murchison and Prieska earnings advance

BY KENNETH MARSTON, MINING EDITOR

FURTHER STRONG progress has been made in the June quarter by Consolidated Murchison, the antimony producer in South Africa's Anglo Transvaal group. A fresh advance in sales has lifted gross quarterly profits to just on R4m* (£2.1m) with the result that the mine has come back into the tax-paying league.

The net profit therefore is reduced to R2.2m making R4.52m for the half year. This equals an annual earnings rate of 217 cents (115p) per share. This is a dramatic change-round from last year when there was a loss and no dividend was paid.

This year Murchison has returned to the dividend list with a much higher than expected interim of 30 cents. Clearly, the latest profits augur well for the final payment, even allowing for the fact that shipments of antimony concentrates can vary considerably from quarter to quarter.

Quarterly dispatches also vary at the group's Prieska copper-zinc mine and in the past three months there was only one shipment of concentrates compared with two in the March quarter. Despite the resultant lower sales, however, the receipt of higher metal prices and revenue from adjustments to prices for previous shipments has left the mine with a record quarterly profit.

Amounting to R7.29m, it brings Prieska's total for the financial year to R19m compared with R8m a year ago. On the latest occasion there remains to be deducted loan repayments of R5.6m and capital expenditure of R6.9m; no tax is yet payable because of the assessed loss. The company has not yet reached the dividend stage.

It has also been a very good quarter for the group's Hartebeest gold and uranium producer which has concluded a long-term uranium contract, this including a loan to the company of R5.04m. Profits have advanced thanks to higher recovery of gold and uranium as a result of the increased rate of waste sorting. Uranium sales have increased and the mine has obtained a high average gold price of $268 per ounce.

Disappointment comes from the State-assisted Loraine, however. Despite the higher bullion price, the June quarter has brought an increased working loss on gold which reflects a reduction in the ore grade and a sharp rise in costs. Furthermore, there were no uranium sales in the quarter.

The group's latest quarterly net profits are compared in the following table:

	June qtr. R000	Mar. qtr. R000	Dec. qtr. R000
Hartebeestfontein	22,956	15,663	14,433
Loraine	†443	†583	†538
Cons. Murchison	4,054	2,295	1,294
Prieska	7,292	5,422	2,191
East Transvaal	1,424	1,031	786

† After receipt of State aid.

Despite yesterday's $5 rise in the bullion price to a record $297.475 per ounce in front of last night's U.S. Treasury gold auction—and the resulting sharp gains in South African Golds, share prices are still below their 1979 highs. The FT Gold Mines index including the investment currency premium, is 17.6 per cent below its 1979 high attained on June 6. The ex-premium index is around 9 per cent below the year's best level which was also reached on June 6. The sluggish performance of the ex-premium index can be put down to the steep fall of the investment premium, following the Government's stated intention of relaxing exchange controls. But gold shares have also suffered from investors' scepticism over the ability of the gold price to sustain its recent record levels.

Export markets shrinking for Armitage Shanks

CONCERN FOR the future is expressed by Mr. Kennedy Campbell, chairman of Armitage Shanks Group, because of the impact of oil prices on the economy and severe import restrictions on the company in important export markets such as Nigeria.

The company is moving into new areas of competition with export markets shrinking, he says. In 1978/79 though turnover was ahead to £48.93m (£42.31m) exports slipped to £6.38m (£7.18m).

However, uncertainties apart, he is convinced that the group's technical and marketing expertise will continue to meet the challenges that lie ahead.

Also though the current low level of new house construction is likely to mean demand for some time to come, the group, which produces ceramic and associated products for the building industry, hopes that the move towards home ownership amongst council tenants will lead to an increase in he home improvement sector.

Mr. Campbell reports in his annual statement that production has been resumed in Iran on a limited scale. Even so the position there remains critical and it is impossible to predict on how the situation may develop in that country. As a result the directors are unable to give an opinion as to the value of the company's investment in Iran. A 19.8 per cent holding, amounting to £321,000, in the capital of Armitage Shanks Iran Private Company.

The auditors, Peat Marwick Mitchell and Co. concur with the directors' view. The total involved in Iran for Armitage, including money due and a bank loan guarantee liability, is put at £949,000.

For the year to March 31, 1979, Armitage lifted taxable profit from £2.48m to £4.55m on sales of £48.93m (£42.31m). There was a net cash inflow of £1.16m (outflow £1.27m) with bank overdrafts at year end down from £5.04m to £3.85m.

Capital commitments amounted to £1.39m (£0.94) of which £1.37m (£0.53m) had been authorised but not contracted.

The net dividend, as reported June 7, is raised to 5.2p (4.3p).

A geographical analysis of sales shows: UK £34.73m (£28.15m); Europe £2.69m (£2.47m); North and South America £0.82m (£0.53m); Australasia £2.71m (£3.06m); Asia £4.8m (£5.5m) and Africa £3.38m (£2.58m).

Full production of ceramics was maintained throughout the year despite increasing competition, and sales of brass products by the engineering division continue to expand in spite of a higher level of imports.

Severe competition persists in Australia but the operation there is expected to return to profit in the current year, says Mr. Campbell.

There was further improvement in Ireland in 1978-79 and the group intends to continue expansion of its activities in this market.

Meeting, Birmingham, on August 9 at noon.

Greene King to spend over £2m on pubs

DURING the current year, Greene King and Sons will spend over £2m on improving and repairing its pubs, Mr. John Bridge, chairman and joint managing director, says in his annual statement.

Wherever possible, goods delivery arrangements are also being improved, he adds.

Volume sales of beer so far in the current year have been at a higher level than last year, despite price increases in February and June, the chairman says. And the underlying demand remains strong.

Income from newly-formed Harp Limited—in which the company will hold a 20 per cent stake—is unlikely to be very different in the first year, but in the longer-term Greene King will benefit. "We are glad to have the chance of increasing by £1.1m our investment in lager production, the chairman adds.

The new draught beer building at Bury St. Edmunds is on schedule and commissioning will start in September. As soon as the existing cask beer premises have been vacated, work will begin on a new laboratory and the first phase of a fermenting block on the old site.

As reported on July 6, taxable profits reached a record £5.09m (£4.25m) in the year to April 29, 1979, on turnover up by £5.26m to £43.82m. On a CCA basis, pre-tax profit is adjusted to £4.73m.

Meeting, Bury St. Edmunds, August 16 at noon.

Charter: awaiting potash decision

WHILE the future of Charter Consolidated's 37½ per cent investment in the loss-making Cleveland Potash remains in the balance, the chairman of the London mining house, Mr. Murray Hofmeyr, can make no forecast of this year's results. But he again points to the advantages of increasing the group's industrial earnings in the UK.

He points out that by the end of last year Cleveland Potash had absorbed £117.3m. Of this, £76.4m had been provided by the partners—the major shareholder is Imperial Chemical Industries with a 50 per cent stake—while a further £25m had come in third party loans and overdraft, £11.5m in Government grants and £4.4m represented leased assets.

Charter's total net investment in Cleveland Potash of some £30m has now been fully written off. And as reported earlier this month, Charter has also furnished loan and leasing guarantees for £9.2m plus £3m for Cleveland's cash needs until end-August by which time the future of the project will be reviewed.

Mr. Hofmeyr discloses that Charter's share sales made in the year to last March included the disposal of the holding in Blyvoor and the greater part of those in Harmony and Union Corporation. Group net assets at March 31 amounted to £340.6m, or 325p per share, compared with £287.6m a year previously. The shares were 130p yesterday.

Of the group's major mining interests, the rich copper-cobalt deposits at Tenke-Fungurume in Zaire remain on care and maintenance and are not likely to be brought to fruition "in the near future;" as recently reported, Bureau de Recherches Geologiques et Minieres (BRGM) has acquired the Amoco stake of 28 per cent in the project and is to make further studies.

"Satisfactory results" are expected for the current year from the Eastern tin group, Malaysia Mining Corporation, another operating profit is expected at the nickel-copper Selebi-Pikwe venture in Botswana (which still carries heavy loan indebtedness) and satisfactory operating profits are forecast for Tara Exploration's zinc-lead mine in Ireland.

Better results are also anticipated at Minorco and the Canadian Hudson Bay Mining and Smelting. These forecasts are based on the past year's recovery in base-metal prices.

The latter, notably that of copper, have turned easier in recent times but Charter may take the view, as expressed in the recent comprehensive metals and mining review of London brokers Hoare Govett that the present dullness of metals is seasonal and aggravated by the strength of sterling.

Hoare Govett add that, "by the end of the year we expect that steady growth in consumption will have mopped up the remaining excess stocks of most metals and a further period of strength will be the result."

Hampton pulls out of deal with CML

THE 50 per cent jump in the nickel producers' price plus the delay in obtaining the Inland Revenue's consent to a return of capital has resulted in Hampton Gold Mining Areas abandoning its previously announced decision to sell its Australian nickel royalty rights to Australia's Colonial Mutual Life Assurance Society, reports Terry Ogg.

"The speed of the rise in the nickel price, which was not generally foreseen in February, has materially increased the expected level of Hampton's royalty income and the present value of future royalties," Mr. James Ley, Hampton's chairman, said yesterday.

"As a result, Hampton's board is no longer able to recommend the original terms to shareholders and has sought to negotiate with CML an increase in the cash consideration for the proposed disposal."

The original consideration involved the cancellation of CML's existing holding of 1.36m Hampton shares plus the payment by CML of £2.68m cash. CML indicated it was prepared to lift the cash component to £3.16m, but it is believed that Hampton was holding out for an increase to at least £3.7m.

The preliminary figures, released yesterday, show that Hampton's royalty payments (from Western Mining) for the year to March 31, 1979, were almost 7 per cent higher at £515,669. Trading profits were £767,274 giving a group income for the year of £1.27m.

After deducting exploration costs of £317,052 and a deficit on exchange of £48,848, the group profit before tax was £907,043.

A final dividend of 2p a share is proposed which makes 3.5p for the year—more than double last year's figure of 1.6214p. The share price jumped 13p to 203p yesterday, giving a pe of 17.4 on stated earnings and a yield of 2.6 per cent.

NORTH AMERICAN NEWS

Overseas expansion costs force Citicorp downturn

BY STEWART FLEMING IN NEW YORK

RISING COSTS related to the worldwide expansion of its consumer lending business, and narrowing margins between the cost of funds and the interest rates it charges, have hit the second quarter earnings of Citicorp, the second largest U.S. bank.

Against the trend of most major banking companies, Citicorp reported that its net profit before securities transactions in the second quarter was $125.8m or $1.01 a share compared with $137.6m or $1.11 a share a year ago.

The Citicorp results contrast sharply with figures released yesterday morning by Manufacturers Hanover Trust, the fourth largest U.S. bank, and Continental Illinois, the largest bank outside New York or California.

Manufacturers Hanover said that its second quarter income rose from $45.4m or $1.40 a share to $52.7m or $1.61 a share.

Continental Illinois reported net income of $45.8m in the second quarter or $1.17 a share against $40.1m or $1.12 a share.

On Monday, Chase Manhattan Bank, the second largest in New York, reported that its recovery was still progressing strongly and earnings in the second quarter rose 70 per cent to $80.3m. Bank of America, the largest US Bank, reported a 27 per cent rise to $150m.

Yesterday, Manufacturers Hanover said that major factors in both its second quarter and first half earnings gains were increased net interest income resulting from a higher level of loans outstanding, both domestically and abroad, and the impact of higher interest rates.

Citicorp explained its decline in second quarter earnings by saying that large planned investment in staff and technology to implement the expansion of its consumer business was reflected in the figures. In addition, it said that high interest rate environment during the period tends to have little effect on commercial loans priced on a floating rate basis, but has the effect of reducing the spread and profit margin on the fixed rate loans characteristic of consumer lending.

The bank said that on a year-to-year basis, the expansion effort in its consumer lending had increased this business by 48 per cent or $3.6bn to $11.2bn at June 30, 1979.

Commercial loan volume increased by $4.7bn or 11 per cent to $45.4bn, with most of the increase coming in overseas markets. The bank remarked that both domestic dollar and Eurodollar loan pricing continued to be highly competitive.

RCA profits hit by loss in records division

By Our New York Correspondent

A SUBSTANTIAL loss in its records division has hit the second quarter earnings of the major electronics and *telecommunications group*, RCA.

Excluding a $23m gain on the sale of its Alaskan telephone subsidiary, RCA reported operating earnings of $62.6m or 82 cents a share compared with $78.3m or $1.89 a share a year earlier.

First half net income fell by 6.4 per cent to $124.7m or $1.63 a share compared with $133.2m or $1.74 a share a year ago. These figures also exclude the Alaskan gain.

Although most of the company's divisions reported *higher earnings, the depressed performance* of its NBC television network and the problems in its RCA Records division hit profits.

Changing tastes in the popular music market have been creating problems for several companies, including *EMI of Britain, which earlier* this month announced the sale of half of its Capitol Records and other music interests to Paramount Pictures, a Gulf and Western Industries subsidiary.

Kaiser Aluminum to merge with Estel in Europe

BY MICHAEL VAN OS

KAISER ALUMINUM and Chemical Corporation and the Dutch-based Dutch-German steel combine Estel intend to merge their European aluminium production and processing activities.

The new company, in which each of the partners will have a 50 per cent interest, will probably be based in Duesseldorf and will rank among the biggest aluminium companies in Europe. Its annual sales will total about Fl 1.5bn ($750m), of which the Estel share will be about Fl 1bn, Estel said in Nijmegen yesterday. The combined staff will total around 6,000, of which some 4,000 will be from Estel.

Estel added that although it could still take several months before contracts would be signed and still many details would have to be worked out, the two companies were in broad agreement on the proposed merger. Estel has been looking for two years to find an international partner for its aluminium activities after Shell subsidiary Billiton withdrew from the Holland Aluminium subsidiary in 1977. Estel said that its aluminium activities had just about broken even in

Kaiser, too, had not had a good year in Europe, but had still made a profit. The picture has improved in the current year, however.

The statement from the two companies said that Estel would be bringing into the joint venture, to be called Kaiser Estel Aluminium Corporation, the aluminium interests of Holland Aluminium, a fully-owned subsidiary, and its Belgian aluminium company, Sidal. The share in that company, currently 61.5 per cent, would first be raised to 100 per cent.

Holland Aluminium operates an aluminium smelter in Holland and facilities for the manufacture of aluminium products, processing and foundries. Sidal has large modern plants for the production of aluminium semi-finished products in Belgium.

Kaiser's contribution to the venture will involve the activities carried out by Kaiser Aluminium Europe Incorporated, which is based in Duesseldorf in West Germany This company has a smelter in Voerde and plants for aluminium processing elsewhere in that country as well as foil production and processing plants in Switzerland and in Belgium.

In 1978, Estel disclosed a net loss of Fls 288m on sales of nearly Fl 11bn. In the first quarter of this year, its loss amounted to Fl 71.8m pre-tax on sales of about Fl 2.7bn.

Shift from dollar denominated Eurobonds

By Francis Ghilès

PRICES of dollar-denominated bonds were marked down by an average of ¼-½ of a point yesterday in what was widely interpreted as an effort by dealers to stem possible large scale selling by investors holding such paper. As the U.S. currency continued to weaken against all major currencies, there was further evidence of the renewed interest in bonds denominated in strong currencies and in sterling.

Swiss franc denominated foreign bonds, in particular the more recently floated issues, posted gains of up to ½ of a point on the day. Such was the case with the recent issues for Aumar, which closed at 102¼, and Argentina which, having been priced less than two weeks ago at 99, is now trading at 101. The recent issue for the City of Bergen is now trading at 102.

Further gains were also recorded in the Deutsche Mark sector with prices of foreign D-Mark issues putting on between ¼-½ of a point yesterday, essentially as a result of demand from abroad. Investor demand for domestic D-Mark bonds remains very strong, and the Bundesbank sold DM 80m worth of paper to satisfy the market.

In the Deutsche Mark sector, the European Investment Bank is to make a DM 200m 10-year private placement carrying a coupon of 7¾ per cent. The lead manager is Deutsche Girozentrale. The strength of this sector of the market suggests that other private placements may be arranged before the capital markets sub-committee meets later this month to determine the August new issue calendar for D-Mark bonds.

In the Swiss franc sector, new issue activity is on the increase, and not only in the form of convertibles for Japanese borrowers. The World Bank has just completed a SwFr 200m five-year private placement which carries a coupon of 4½ per cent, through Swiss Bank Corporation, while New Zealand has arranged a SwFr 250m private placement through Union Bank of Switzerland. This five-year issue carries a coupon of 4½ per cent. A SwFr 100m public issue for the Inter-American Development Bank has been completed through Credit Suisse. The borrower is paying a coupon of 4¼ per cent, with a bullet maturity of 10 years.

The flow of Japanese convertibles, meanwhile, shows no sign of abating. Credit Suisse has just completed a $80m one for Nippon Shinpan, which includes a maturity of five years and two months and a coupon of 4¼ per cent, while Swiss Bank Corporation has arranged a SwFr 50m one with an identical maturity and a coupon of 4¼ per cent for Kubota.

In the dollar sector, buyers have taken complete leave of absence from the market and new issues are proving difficult to place. The $40m 10-year issue for Genossenschaftliche Bank through Credit Suisse First Boston was well received, however. It was priced at par yesterday. The borrower is paying a coupon of ¼ per cent over the mean of the bid and offered three-month interbank rate with a minimum coupon of 5¼ per cent.

The same lead manager priced the $50m five-year issue it is arranging for Argentina at 98½, instead of the indicated 99. The indicated coupon of 9¾ per cent remains

Sharp increase at Occidental

BY OUR FINANCIAL STAFF

A VERY strong earnings contribution from Occidental Petroleum's oil and gas activities paved the way to a $200.4m net profit in the six months to June 30 compared with a loss of $35.9m for the same period last year.

Earnings from the group's North Sea, Peruvian and Libyan activities were all higher than those recorded a year ago as a result of increased production and better margins. The 1979 second quarter also benefited from the elimination of refining losses.

The jump in oil and gas earnings continues a trend that began in the final quarter of 1978. While performance in the first half of the current year is impressive, it has to be remembered that last year's interim period includes a $122m write-down of European refining operations.

The troubled Hooker Chemical subsidiary reported a drop in earnings from $21.4m to $13.3m in the second quarter. In 1978, the division was severely affected by depressed fertiliser prices and lower industry margins for chlor-alkali. In the latest period, the company blamed the profits downturn on "additional provisions made for special environmental costs associated with past practices."

Earnings fall at Allis Chalmers

By Our Financial Staff

NET EARNINGS turned down sharply in the second quarter at Allis-Chalmers, the machine industry group, although sales maintained their rate of progress. At $22.7m, earnings were 18 per cent lower for the quarter, an exact reversal of the rate of increase in the first quarter. Share earnings dipped from $2.27 to $1.74 in the second quarter. But sales moved up by 9.5 per cent to $508.4m.

At the half-way stage, earnings are showing a 2.5 per cent fall at $45.4m, with share earnings down from $3.82 to $3.49. At $954.8m, however, sales continue to show a gain in the 10 per cent range.

The company says that results for the first half confirm that it is "on plan" for an acceptable 1979.

Of the comparable earnings, this year's first quarter included a gain of $7.5m, and last year one of $5.2m from equity interest purchase by Siemens AG in Siemens-Allis. Higher sales by Allis Chalmers more than offset the exclusion of Siemens-Allis sales.

A T & T satellite go-ahead urged

WASHINGTON—The Federal Communications Commission appears ready to give American Telephone and Telegraph a break in the field of satellite communications.

Under a policy adopted by the FCC in 1972, the major communications carrier is barred from using its three domestic satellites for a private line and other specialised communications services. The moratorium is due to expire next Monday. However, the FCC's Common Carrier Bureau is urging that the restrictions be eliminated.

The Commission is expected to accede to staff recommendations when it votes on the issue later this week. Commissioner Mr. Joseph Fogarty says: "It's time to unshackle AT and T and let them compete on an equal basis."

Continuation of the moratorium has been urged by AT and T's two principal rivals in the domestic satellite field, RCA Corporation and Western Union Corporation. Both companies have told the Commission that their satellite success, particularly in developing television service for cable TV customers, would not have been possible against AT and T competition. In Congressional testimony earlier this year, Mr. Andrew F. Inglis, president of RCA's satellite subsidiary, RCA American Communications, urged that the moratorium be extended for as long as 10 years.

A third company with pending plans to offer domestic communications satellites services Satellite Business Systems (SBS) did not oppose ending the moratorium but asked the FCC to ensure that AT and T does not subsidise its special satellite services with revenue from its regulated telephone service.

SBS, a joint venture of International Business Machines Corporation, Communications Satellite Corporation and Aetna Life and Casualty, is seeking FCC authorisation to launch its initial satellite in the 1980 second half and another satellite in the 1981 first half.

The demand for satellite service that RCA and Western Union have experienced was a major factor in persuading the FCC staff that AT and T should be allowed to enter the field. "Both RCA and Western Union booked or close to it and both have plans to launch third satellites," an FCC official said.

Agencies

Simpsons Sears rights

TORONTO — Simpsons-Sears plans to issue rights to holders of class A, B and C shares to raise about C$70m. Terms of the issue will be settled after a special general meeting of shareholders on August 7.

Sears, Roebuck and Hudson's Bay intend to subscribe for the additional class C and class B shares

Peak returns from Boise

BY OUR FINANCIAL STAFF

RECORD PROFITS are reported by Boise Cascade, the paper and building materials group, with net earnings for the second quarter totalling $54m or $2.01 a share. This represents a gain of 35 per cent on the 1978 comparative returns of $40m, equal to $1.48 a share. Sales advanced by 8.4 per cent, from $694.2m to $752.5m.

At the half-way stage, net earnings were 26.3 per cent higher at $88.4m or $3.28 a share, against $70m or $2.59 a share in 1978. Sales totalled $1.39bn, compared with $1.28bn.

The company said a lower estimated effective tax rate and strong demand for paper products combined to provide the record second-quarter profits.

Good first half for Honeywell

BY OUR FINANCIAL STAFF

THE MAJOR computer control systems manufacturer Honeywell has had net income for the second quarter of $81.3m or $2.81 a share compared with $44m or $2.06 in the comparable period a year ago. Sales revenues for the quarter moved ahead from $861.2m to $990.7m.

The net income figure was struck after tax credits of 16 cents a share compared with 10 cents last time, and foreign exchange losses of just 4 cents a share against 19 cents.

For the first half, Honeywell recorded net income of $120.9m or $5.56 a share against $79.4m or $3.72, on sales up from $1.65bn to $1.96bn. First half net income included a tax credit of 24 cents a share compared with 18 cents, and foreign exchange losses of 36 cents against 31 cents.

Computer orders for the second quarter and first half were well ahead of the corresponding periods, computer operating profit was substantially up in both periods, and computer order backlogs remained at record levels.

The company continues to expect a good year, although an economic slowdown in the second half would cause its business to moderate.

Second quarter computer rental and service revenue was up only slightly on last year at $172.5m, but showed a 12.3 per cent increase over the comparable period when the $17.8m recorded in 1978 from the International Time-sharing business is excluded. The business was merged into a joint venture with General Electric last December.

Du Pont plans Remington Arms merger

BRIDGEPORT—Remington Arms Company, a majority owned subsidiary of E.I. Du Pont de Nemours and Company, said that it had received a merger proposal from Du Pont.

Du Pont currently owns about 70 per cent of the Remington Arms common stock and essentially all its 4.5 per cent cumulative preferred stock.

Du Pont's merger proposal calls for an exchange ratio of 0.52 Du Pont common shares for each of the nearly 2m of Remington Arms common stock held by others and $105 cash.

On Monday, Remington's common stock closed at 15¾ a share and Du Pont's common closed at 40½ a share

AD-DJ

Bendix sees increase

SOUTHFIELD—Bendix Corporation's fourth quarter earnings should exceed those of last year despite softening trends in the domestic automotive and housing markets, according to Mr. William Agee the chairman.

Bendix, a world-wide manufacturing company serving the automotive, aerospace - electronics, shelter and industrial energy markets, reported third quarter earnings up from $1.74 to $2.03 a share on a net profit of $46.5m compared with $39.75m. Revenue rose from $983.8m to $1bn.

Third quarter results bring the nine month total to $5.60 per share against $4.45

Reuter

Copperweld confident

BY OUR FINANCIAL STAFF

COPPERWELD CORPORATION'S net earnings for the six months ended June 30 rose to $12.87m or $2.26 a share against $1.31m or 23 cents a share. Sales increased to $255.5m against $212.8m.

Mr. Anthony J. A. Bryan, chairman and president of the special steels concern which is 67 per cent owned by Imetal of France, said that it was in "rather a good positoin" to weather the recession.

Net income for the second quarter amounted to $5.72m or $1.01 a share compared with a loss of $2.13m or 38 cents a share, on revenues which increased to $127.4m from $113.3m.

Mr. Bryan pointed out that profits for the first half were substantially better than the $10.7m, or $1.90 a share that Copperweld would have earned in the first half of 1978 without the $9.4m write-down for the partial closure of its Glassport facility. In the first quarter of this year, the company earned $7.2m or $1.25 a share

The improved results for the first six months of 1979 reflect a better nationwide economy in the first quarter of 1979, increased operating efficiencies in Copperweld's plants and a "substantially improved" marketing effort.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on July 17

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alex Howden XW 9¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Avco O/S Cap. 10¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. F. XW 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 9¼ 84-99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9¼ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pacific 9¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Carter Hawley 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comalco Inv. E. 10¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dominion Bridge 10¼ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dow Chem. O/S 9¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¾ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¾ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dv. Cpn. 9.85 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dv. Cpn. 9¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 9 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 9¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 9¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 9¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 9½ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Motors Acc. 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gould Int. Fin. 9¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hoechst Fin. XW 6⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hospital O/S 9 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hudson Bay Co. 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITT Antilles 9¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kennecott Int. 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Manitoba 9¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Ws. Telecm. 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick 9¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norsk Hydro 9¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9¼ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia Pwr. 9¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental Fin. 10¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Orient Leasing 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pennwalt O/S F. 9¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portland 10 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 10 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Redland Fin. XW 9¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Roebuck 9 82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stockholm 9¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever NV 9¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Warner-Lambert 9 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Argentina 6¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Argentina 7¼ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 5¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco Desarrollo 7¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays O'seas 6¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. Ext. Algerie 7¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil 7¼ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 6¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen City 6 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Eur. 6¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Eur. 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 6¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 6¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eletrobras-Brazil 7 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 6¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia 7 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico Fin. 7 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Chem. 6¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 6¾ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Kokan 6¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel. & T. 6 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic Inv. Bk. 6¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 7¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 6¾ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 6¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 7 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. Pwr. 6¾ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela 6¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 6¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Exp. Int. 3¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev. Bank 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aumar 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria 3¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 3¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil 4¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada 3¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Eur. 4¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 3¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heron 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI Fin. NV 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia 4¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 3¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 3¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pfand Ost. Lande 4 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sandvik 4 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 4 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stewart 4¾ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 4¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 5.8 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia 6¼ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 5.6 83	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 6.8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Avco Fin. 10¾ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ex. Dev. Cpn. 10¼ 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hudson Bay 10¾ 89 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec 10¾ 86 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 85 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10¾ 84 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copenhagen 6¾ 91 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Komm. Inst. 7¾ 93 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDFTE 8¾ 89 EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. 6¾ 83 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CFE Mexico 7¾ 83 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 7¾ 85 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Middbk. 8¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 6¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 6¾ 84 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elf Aquitaine 9¾ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¾ 88 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euratom 9¾ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9¾ 84 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PSA Peugeot 9¾ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saint-Gobain 9¾ 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et Cie 9¾ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Oil 9¾ 87 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever 10 85 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 10 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 9¾ 88 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 11½ 91 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay Fin. 8 85 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFG Fin. Co. 5⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNDE 6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banco di Roma 8 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bco. Nac. Argent. 7 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 5⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. Ext. d'Alg. 7⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bque. Indo Suez 5⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 5¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gotabanken 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Japan 5⅞ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan 5¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mrs. Han. O/S 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. 5¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 5¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petro Mexicano 7 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sundsvallsbanken 6 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Texas Int. Airways 7½ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Overseas Bk. 6 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bq. E. d'Alg. 4¾ 89 SF	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktiebolag 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ciba-Geigy O/S F. 4¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Esselte 7¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Motor 5¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Novo Industri 7 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asahi Optical 3¼ DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jusco 3¼ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Elec. 4 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Konishiroku 3¼ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Yen. 3¼ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nissan Diesel 3¾ 88 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Olymp. Opt. 3½ 85 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Corp. 3¾ 88 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Stanley Elec. 3¾ DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trio-Kenwd. 3¼ 86 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AMERICAN QUARTERLIES

ABITIBI PAPER Second quarter	1979	1978
	C$	C$
Revenue	374.9m	330.4m
Net profits	33.3m	17.1m
Net per share	1.66	0.86
Six months		
Revenue	728.9m	619.8m
Net profits	55.3m	31.9m
Net per share	2.72	1.60

AMERICAN CYANAMID Second quarter	1979	1978
	$	$
Revenue	794.7m	688.3m
Net profits	43.2m	39.6m
Net per share	0.90	0.83
Six months		
Revenue	1.55bn	1.36bn
Net profits	83.9m	76.0m
Net per share	1.75	1.59

AMERICAN HOSPITAL SUPPLY Second quarter	1979	1978
	$	$
Revenue	494.7m	437.4m
Net profits	27.57m	22.60m
Net per share	0.71	0.58
Six months		
Revenue	974.8m	830.1m
Net profits	53.01m	43.21m
Net per share	1.36	1.11

C. R. BARD Second quarter	1979	1978
	$	$
Revenue	50.3m	46.4m
Net profits	3.15m	2.85m
Net per share	0.33	0.29
Six months		
Revenue	100.8m	92.8m
Net profits	6.36m	5.64m
Net per share	0.66	0.58

CROWN CORK AND SEAL Second quarter	1979	1978
	$	$
Revenue	389.4m	347.1m
Net profits	21.23m	18.71m
Net per share	1.41	1.21
Six months		
Revenue	692.5m	610.4m
Net profits	35.11m	31.78m
Net per share	2.32	2.02

CROWN ZELLERBACH Second quarter	1979	1978
	$	$
Revenue	709.8m	660.5m
Net profits	45.1m	39m
Net per share	1.77	1.53
Six months		
Revenue	1.34bn	1.24bn
Net profits	66.5m	59.3m
Net per share	2.61	2.32

EVANS PRODUCTS Second quarter	1979	1978
	$	$
Revenue	405.1m	325.7m
Net profit	19.51m	17.63m
Net per share	1.47	1.27
Six months		
Revenue	676.3m	544.8m
Net profits	24.38m	22.06m
Net per share	1.77	1.53

FORT HOWARD PAPER Second quarter	1979	1978
	$	$
Revenue	86.3m	74.4m
Net profits	14.26m	12.11m
Net per share	1.06	0.90
Six months		
Revenue	168.6m	138.5m
Net profits	29.64m	23.41m
Net per share	2.20	1.74

LIBBEY-OWENS-FORD Second quarter	1979	1978
	$	$
Revenue	318.6m	292.6m
Net profits	20.20m	11.76m
Net per share	1.71	0.95
Six months		
Revenue	637.0m	555.2m
Net profits	41.95m	25.44m
Net per share	3.56	2.08

LLOYDS BANK CALIFORNIA Second quarter	1979	1978
	$	$
Net profits	3.26m	2.31m
Net per share	2.19	1.55
Six months		
Net profits	6.68m	4.48m
Net per share	4.49	3.01

MAYTAG Second quarter	1979	1978
	$	$
Revenue	88.6m	73.9m
Net profits	10.5m	7.6m
Net per share	0.78	0.57
Six months		
Revenue	175.4m	149.8m
Net profits	20.2m	15.3m
Net per share	1.52	1.14

McGRAW-EDISON Second quarter	1979	1978
	$	$
Revenue	340.6m	300.8m
Net profits	18.45m	18.98m
Net per share	1.12	1.16
Six months		
Revenue	664.0m	586.4m
Net profits	35.64m	35.8m
Net per share	2.16	2.18

MEMOREX Second quarter	1979	1978
	$	$
Revenue	181.3m	158.5m
Net profits	10.55m	10.24m
Net per share	1.32	1.43
Six months		
Revenue	369.2m	297.4m
Net profits	22.31m	19.63m
Net per share	2.79	2.74

MERRILL LYNCH Second quarter	1979	1978
	$	$
Revenue	492.5m	407.3m
Net profits	31.9m	29.6m
Net per share	0.87	0.83
Six months		
Revenue	930.9m	689.1m
Net profits	51.6m	29.8m
Net per share	1.41	0.84

NICOR Six months	1979	1978
	$	$
Revenue	962.7m	813.5m
Net profits	86.21m	75.77m
Net per share	5.18	4.68

OHIO EDISON Second quarter	1979	1978
	$	$
Revenue	235.8m	197.99m
Net profits	30.27m	22.97m
Net per share	0.40	0.33
Six months		
Revenue	933.1m	826.2m
Net profits	97.08m	93.17m
Net per share	1.29	1.55

PACIFIC LIGHTING Second quarter	1979	1978
	$	$
Revenue	469.5m	404.9m
Net profits	20.25m	17.02m
Net per share	0.84	0.72
Six months		
Revenue	1.01bn	850.8m
Net profits	49.19m	38.62m
Net per share	2.04	1.84

PHILIP MORRIS Second quarter	1979	1978
	$	$
Revenue	2.1bn	1.7bn
Net profits	130.6m	104.2m
Net per share	1.05	0.87
Six months		
Revenue	4.0bn	3.1bn
Net profits	240.51m	191.84m
Net per share	1.93	1.80

REPUBLIC STEEL Second quarter	1979	1978
	$	$
Revenue	1.0bn	910.8m
Net profits	40.62m	31.36m
Net per share	2.51	1.94
Six months		
Revenue	2.04bn	1.74bn
Net profits	82.4m	41.13m
Net per share	5.09	2.54

REYNOLDS METALS Second quarter	1979	1978
	$	$
Revenue	873.5m	714.7m
Net profits	59.4m	44.2m
Net per share	3.12	2.31
Six months		
Revenue	1.65bn	1.32bn
Net profits	166.9m	70.6m
Net per share	5.12	1.88

ST. REGIS PAPER Second quarter	1979	1978
	$	$
Revenue	628.5m	609.8m
Net profits	48.23m	39.93m
Net per share	1.42	1.25
Six months		
Revenue	1.22bn	1.13bn
Net profits	82.99m	65.44m
Net per share	2.55	1.73

SCOTT PAPER Second quarter	1979	1978
	$	$
Revenue	483.5m	421.6m
Net profits	35.32m	24.25m
Net per share	0.90	0.62
Six months		
Revenue	953.6m	818.0m
Net profits	72.85m	44.72m
Net per share	1.87	1.15

SQUARE D Second quarter	1979	1978
	$	$
Revenue	207.6m	180.2m
Net profits	19.71m	16.85m
Net per share	0.83	0.71
Six months		
Revenue	391.1m	341.9m
Net profits	35.22m	31.39m
Net per share	1.48	1.32

SUNDSTRAND Second quarter	1979	1978
	$	$
Revenue	217.6m	182.9m
Net profits	16.34m	11.71m
Net per share	0.95	0.69
Six months		
Revenue	430.2m	358.9m
Net profits	30.09m	22.44m
Net per share	1.75	1.33

TEXASGULF Second quarter	1979	1978
	$	$
Revenue	203.3m	146.7m
Net profits	29.29m	11.73m
Net per share	0.86	0.31
Six months		
Revenue	377.6m	274.1m
Net profits	51.63m	[illegible]
Net per share	1.50	0.58

TIME INCORPORATED Second quarter	1979	1978
	$	$
Revenue	629.6m	404.5m
Net profits	42.3m	34.5m
Net per share	1.52	1.60
Six months		
Revenue	1.17bn	748m
Net profits	68.8m	55.9m
Net per share	2.47	2.60

UNION PACIFIC Second quarter	1979	1978
	$	$
Revenue	978.3m	738.8m
Net profits	112.16m	83.49m
Net per share	2.35	1.34
Six months		
Revenue	1.9bn	1.4bn
Net profits	196.25m	119.58m
Net per share	4.12	2.52

U.S. INDUSTRIES Second quarter	1979	1978
	$	$
Revenue	321.1m	346.4m
Net profits	14.71m	13.84m
Net per share	0.53	0.45
Six months		
Revenue	658.6m	689.7m
Net profits	27.45m	26.17m
Net per share	0.97	0.81

WEIS MARKETS Second quarter	1979	1978
	$	$
Revenue	152.3m	127.3m
Net profits	7.31m	6.12m
Net per share	0.80	0.67
Six months		
Revenue	300.7m	253.2m
Net profits	14.65m	11.88m
Net per share	1.61	1.32

WHEELABRATOR-FRYE Second quarter	1979	1978
	$	$
Revenue	237.6m	196.7m
Net profits	10.47m	8.21m
Net per share	0.91	0.77
Six months		
Revenue	458.1m	369.6m
Net profits	18.87m	15.13m
Net per share	1.62	1.37

هكذا من الأحول

FRENCH SPECIAL STEELS

Waiting for a government initiative

BY TERRY DODSWORTH IN PARIS

IN JANUARY M. Andre Giraud, the French Industry Minister, let it be known that the Government would like to follow up its re-organisation in the heavy steels industry with something similar in the special steels sector. His comment, tantalisingly indefinite, has been begging action ever since.

There has been no move from the Government, and this year M. Giraud has seemed too preoccupied in solving the problems of the first set of steel barons to get involved with another set as well.

The financial performance of the special steels companies, however, has been spelling out its own dolorous message in the last few months. Losses are mounting to such an extent that changes will have to come. At Pechiney-Ugine-Kuhlmann, one of the big companies in this sector, the deficit reach FFr 545m ($128m) last year. At Creusot-Loire, the engineering subsidiary of the Empain-Schneider empire, the shortfalls in the steel division are calculated to have accounted for a large proportion of the overall FFr 335m loss last year.

Along with the three other companies in special steels sector—Pompey, Aciers Fins de l'Est, and Aubert et Duval—these two groups make up a national industry producing about 3.5m tonnes a year. They display the familiar weaknesses of a 19th-century industry, having to face up to the hard realities of streamlined 20th-century competitors. Their plants are scattered around the country, their equipment is often very dated, and their productivity low. Naturally they find it hard to compete against the prices of the Americans and Japanese.

The obvious remedy for this fragmented structure was to bring together at least the two major interests. The Industry Ministry is believed to have supported this solution, and earlier this year discreet talks took place between PUK and Creusot-Loire. These, however, have now been broken off.

The reasons for this setback are not totally clear. It seems that PUK, while agreeable to the idea of a reorganisation, was not happy with the proposals on the shape of the restructured company. "A simple agreement between two loss-making companies would not lead to a reduction in the overall deficit if important changes were not brought about in the organisation at the same," said M. Phillipe Thomas, chairman.

Creusot-Loire, meanwhile, seems determined to go it alone if necessary, although it would undoubtedly welcome Government help. The group set in train a wide-ranging reorganisation of its steel interests last year, designed to streamline its production and reduce costs. Its strategy is based on the conviction that the industry has more than adequate capacity, but far too low a level of productivity.

It is aiming, therefore, to rationalise its interests without adding to potential output—a policy which clearly implies a reduction in the labour force.

For the other companies in the special steel sector, the heavy steel producers are now looming on the horizon as potential suitors. The two big state-assisted companies—Usinor and Sacilor-Sollac—have already indicated their interest in moving towards more specialised activities. As they slim down volume output, they are trying to concentrate on higher value-added products.

Assistance by the state in securing the future of the special steels industry in France remains a matter for speculation. But the first indications of the government's thinking could well emerge before the summer is over

They could, therefore, provide a ready-made vehicle for injecting state funds into the specialised companies.

Of these two groups, the current favourite at the Industry Department appears to be Sacilor, less troubled by the labour relations problems that have hit the industry after the announcement of the big redundancy programme last January.

Sacilor has virtually no special steel holdings at present, but has been expressing a keen interest in Pompey in particular. Pompey would make a good match for Sacilor in two respects. First, its plants lie not far away from its own base in the Moselle Valley in Lorraine. Second, it would give Sacilor a base in one of the few growth areas in steel production. Pompey is a big supplier to the motor industry, making the wire that goes into Michelin's radial tyres.

Whether Sacilor would be prepared to take on Ugine Steel as well is another question. The Industry Ministry is thought to be keen on such a merger, but Sacilor less so. Ugine's own strategy points to at least some arrangement with an outside company.

During the last 12 months, the parent PUK organisation has embarked on a full-scale programme of rationalisation which has involved selling off or reducing its stake in marginal businesses. Special steel is the one big product area still awaiting treatment.

It is unlikely that Ugine's problems, or those of any of the other companies, can be solved without government assistance. In the case of special steels, the Industry Department has turned against a full-scale, one-off industrial reorganisation of the kind it pushed through in heavy steels. It would prefer to see a step-by-step approach.

But given the size of the losses, this still implies some government assistance and some overall approach to securing the future of the minor companies as well as the larger ones. The first indications of the government's thinking could well come before the summer is over.

Consortium launched to rescue SIR

By Rupert Cornwell in Rome

THE CONSORTIUM formed to rescue the troubled chemical group Societa Italiana Resine (SIR) has finally been launched. Three-quarters of the banks involved in the negotiations have notified the Treasury Ministry of their boards' approval of the terms of the salvage operation.

Sig Nino Rovelli, SIR's founder and chairman, whose future role in the group's management has been one of the main problems of the protracted discussions, yesterday was due to add his own signature to the arrangements.

The banks which have given their blessing represent the major creditors of SIR, accounting together for L2,278bn ($2.8bn) of the credits advanced to the group, over 90 per cent of its total outstanding borrowings.

It is understood that the full rescue plan, involving a total of L900bn will only be launched in September after the summer break. In the meantime an emergency L40bn is being advanced to tide SIR over the traditionally flat two months ahead.

Agreement also appears to be taking shape over the future interest of Sig. Rovelli in the company he created. Its precise size will only be determined after a detailed valuation of the assets he is making over to the consortium taking over the management of SIR.

Spanish shipping line in temporary receivership

BY DAVID GARDNER IN MADRID

SPAIN'S FOURTH largest shipping company, the Bilbao-based Naviera Aznar, has been put into temporary receivership with outstanding debts of nearly Pta 5bn ($79m). Aznar is the first Basque company to make this move—which effectively implies a moratorium on all debts—since the Olarra affair.

Sr. Luis Olarra, the Basque steel manufacturer who officially "suspended payments" on July 5 and then vanished, triggered a chain reaction which led to 800 Basque employers threatening to carry out a collective "suspension of payments" unless the Government came to the aid of hard-pressed Basque export industries. The threat was withdrawn and in its place, the employers are to withhold tax and social security payments.

The Spanish legal procedure of "suspending payments" or temporary receivership, is not necessarily the first step towards bankruptcy. Often it allows a valuable breathing space for hard-pressed or over-extended companies to reorganise their financial and industrial structure, and negotiate credit packages provided they can prove medium-term viability.

Meantime, the legal debt moratorium relatives pressure on their cashflow. The "suspension de Pagos" as it is known, is also a way of pressuring the administration into allowing greater flexibility in the shedding of labour, which is why the Basque employers' threat brought an immediate Government response.

In the present case, however, it is not at all clear what Naviera Aznar's medium term future is likely to hold. Spanish shipowners have been moving slowly towards the rocks since the onset of the 1973-74 recession. The largest line, Transmediterranea, has now been taken over by the state, while the medium-sized companies have been either merging or absorbing smaller lines.

Aznar lost Pta 301.5m last year, and has been running down its fleet over the past two years. Its present debts of Pta 4.9bn are offset by assets which the judge handling the case has yet to quantify. These include five 27,000 ton bulk carriers worth around $30m. and several cargo vessels of the roll on-roll off type. However, last year, outstanding amortisation payments on the Aznar fleet amounted to Pta 3.8bn.

It is believed that the company is now seeking to restructure its debts over three years. Its main creditors are the Urquijo and Herrero banks, and the Export Credit Bank. The state-owned shipyard, Astilleros Espanoles, is also a key creditor as well as holding some Pta 3bn of the Aznar capital. The majority of the equity is held by the Aznar family.

Sales rise at German engineer

By Guy Hawtin in Frankfurt

BUOYANT DEMAND from the construction industry pushed up the sales of the Liebherr group by 18.2 per cent during the first half of 1979. For the year as a whole, the West German plant and construction machinery manufacturer is expecting growth to fall back to about 10 per cent.

According to the group's managment, sales in the opening six months amounted to DM 1.2bn, while the annual turnover of 1979 is forecast to exceed DM 2.5bn ($1.38bn). Growth was attributed primarily to lively demand for tower cranes, hydraulic excavators and brick-making plant.

The Liebherr group produces construction machinery, cranes and industrial plant as well as aircraft technology and refrigerators. But despite considerable diversification in recent years, some 50 per cent of sales still come from the construction machinery sector.

However, plant construction is making an increasing contribution to sales. Turnover will benefit up to June, 1984, from the DM 900m contract from the Algerian enterprise Sonacome.

Capital investment during the current year will total DM 70m.

Last year sales of the Liebherr group world-wide rose by 19 per cent from DM 1.96bn to DM 2.33bn. Consolidated external sales increased by 20.6 per cent from DM 1.42bn to DM 1.71bn.

INTERNATIONAL CAPITAL MARKETS

Loan restructure by Petrobras

BY JOHN EVANS

The Brazilian state oil company, Petroleos Brasileiro (Petrobras), has completed the restructuring of $400m of loans, which are being consolidated into a single large acceptance credit for financing Brazil's oil imports.

The new agreements have been reached with Wells Fargo Bank, which is acting as agent and manager in a 41-bank syndicate.

Petrobras is understood to have negotiated more favourable terms on the new credit. Under the 30-month acceptance financing arrangements, $80m of loan availability will expire during each successive six-month period. The interest rate will be ⅝ per cent above the U.S. Bankers Acceptance rate for 180-day drawings.

Latest estimates suggest that Brazil's oil import bill this year will climb substantially to reach between $6.5bn and $7bn. Finance Ministry officials in Brasilia have stated that the country plans to make a greater effort to raise foreign capital after the recent rise in OPEC prices.

A $75m credit has been arranged in the Eurocurrency markets for Duke Energy Trust, a special purpose agency which holds nuclear fuel for leasing to Duke Power Company of the U.S.

The four-year credit will be used to back up commercial paper issues in New York. The spread is ⅜ per cent over inter-bank rates, if the credit is used. Commitment fee is ⅛ per cent.

The credit has been arranged by Merrill Lynch International Bank. Participating banks are Deutsche, Dresdner, Swiss Bank Corporation, National Westminster, Credit Lyonnais and Union Bank of Switzerland.

American facilities in the Euromarket to back up U.S. commercial paper issues are relatively rare, although real estate investment trusts (REITs) used the technique extensively in the mid-1970s.

Elsewhere, Banco del Estado of Chile has awarded a mandate to Libra Bank to arrange a $51m 12-year credit.

The spread is ⅞ per cent for the first six years, ¾ for the next three years and 1 per cent thereafter.

Among the current transactions for Nigeria, Scandinavian Bank and Canadian American Bank are in the process of raising a $73m credit which will help finance a section of the Trans-Africa Highway.

The eight-year transaction carries a spread of 1 per cent throughout.

Bank of America, meanwhile, has arranged a $10m credit for the Kingdom of Lesotho. The five-year loan carries a spread of 1⅛ per cent.

Banks lengthen debt

BY OUR EUROMARKETS STAFF

THE MAJOR Euromarket banks are continuing to lengthen the maturity of their international loans, according to latest Bank for International Settlements statistics.

The gross claims of banks in the major industrial nations on other countries rose by $33.7bn to $284.9bn in the second half of 1978, an expansion of nearly 29 per cent on an annual rate, the bank's data shows.

The borrowing countries, taking advantages of favourable market conditions, lengthened the average maturity of their debts, with the result that 60 per cent of the increase was in claims carrying maturities of over two years.

The statistics, provided by the BIS in its latest half-year report on the maturity distribution of international bank lending, show that claims on Latin America recorded the largest increase. These amounted to $11.5bn, nearly 70 per cent of which was in the over-two years category.

The largest borrowers of new funds were Brazil ($4bn), Venezuela ($2.6bn) and Mexico ($2bn).

The expansion of the reporting banks' asset vis-a-vis all outside area countries was almost matched by a $32.5bn increase in liabilities, so that their net credit position to these countries rose only $1.2bn to $74.1bn.

The BIS statistics cover banks in the Group of 10 countries, Switzerland, Austria, Denmark and Ireland, and their affiliates in offshore centres, and are based on lending to countries outside these areas.

Wesfarmers wins WFSL and control of CSBP

By Our Sydney Correspondent

WESTRALIAN Farmers Co-operative (Wesfarmers) now claimed to hold more than 50 per cent of Westralian Farmers Superphosphate (WFSL), through its A$20.8m (U.S.$23.5m) takeover bid, and the way is now clear for it to gain a controlling interest in the big Western Australian fertiliser group CSBP and Farmers.

WFSL's major asset is its one-third interest in CSBP with its other partners being Cuming Smith and BP Australia. Cuming Smith is already controlled by Wesfarmers.

The 50 per cent acceptance of Wesfarmers' bid by WFSL shareholders puts an end to the aspirations of the Farmers Union of Western Australia, which last month announced its intention to make a complex A$25.5m bid if the Wesfarmers offer failed to reach the minimum 50 per cent level set down by a court ruling.

The Wesfarmers offer was 49 shares for every 30 WFSL units or one Wesfarmers share plus A$1 for each WFSL share. Directors said yesterday that acceptances were continuing to be received.

Singapore Glass re-sites plant

By Georgie Lee in Singapore

SINGAPORE GLASS (1974) has agreed to sell its 7.6 hectare factory site at Henderson Road to a local property developer, Hong Fok Realty, for S$19.36m (US$8.9m) cash.

The agreement, however, is conditional upon planning approval for redevelopment being obtained from the relevant authorities. Completion of the transaction will take place on July 2 next year.

Singapore Glass has retained the option to continue occupying the site for a further three months after that date.

The property was last carried on the books at S$2.56m, as at March this year. The sale will, therefore, throw up an extraordinary surplus of almost S$17m.

Singapore Glass plans to relocate its factory in the Jurong Industrial Estate.

Re-siting of the factory, which will have a greatly expanded capacity, will cost around S$30m.

NEW SMORGON—ATL MOVE AS . . .

Plessey enters the arena

BY JOHN ROGERS IN SYDNEY

SMORGON Corporation yesterday revealed that it has negotiated a higher price for the sale of ATL's American interests and would be voting with the ATL board on the issue at an extraordinary meeting called for today.

Smorgon, which holds just over 23 per cent of ATL's capital, announced yesterday that a company representative *had been in the U.S. for the last* two weeks negotiating with the banking group which had set up the deal and the buying consortium, Federal Computor Corporation. The new agreement means U.S.$1m being added to the overall price, lifting the value of the Autotote subsidiary from U.S.$16m, but with a higher deferred payment of U.S.$5m.

One unknown factor, however, in the drawn-out ATL affair—which began with Smorgon's intention to make an A$14.5m (U.S.$16m) takeover bid, only to withdraw it as news of ATL's offshore losses and write-downs mounted—is whether the Australian arm of the UK electronics group, Plessey Company, will go ahead and bid for the restructured group.

Late last week, Plessey confirmed that it was holding discussions with ATL and was "very interested" in making a bid. However, it indicated it would not be able to formulate any plans before the extraordinary meeting.

Yesterday, a Plessey spokesman said that the latest move by Smorgon failed to alter the situation from Plessey's standpoint: "We are still very interested in acquiring ATL and we are preparing a bid." He conceded that if the value of ATL had gone up because of the U.S. deal then any bid price would, naturally, have to be increased.

Commenting on Smorgon's valuation of ATL, which now takes into account the U.S. deal and losses of up to A$8m in the financial year just ended, the Plessey spokesman said: "It depends on how you value companies—by looking at their losses or their asset backing. If you take their asset backing into account then you cannot consider ATL's Australian operation as a minus quantity."

He said that there could be a lot of advantages in a merger between ATL and Plessey.

But while Plessey considered its options, the ATL general manager, Mr. J. R. Palmer was relieved. He said that his board had no objections to the Smorgon proposal, and would recommend it to shareholders. The sale was *vital to* the continued financial health of the company with the fund injection needed to meet the group's borrowing obligations, the bulk of which fell due before the end of the year. Commenting on their part in the higher American bid price, a Smorgon spokesman said that it was one way of protecting their investments.

Smorgon bought most of its stake as a lead-up manoeuvre preceding its takeover bid, and *now is taking* remedial action in the market to protect its minority holding. Yesterday it indicated that it would continue to stand in the *sharemarket* and pick up any shares offered up to A$1.20 a share. If it gains control of ATL in this manner then it can redeem the preference shares involved in the U.S. deal.

Bigger setback at Rheem

BY OUR SYDNEY CORRESPONDENT

RHEEM Australia, the large Australian hot water systems group, found the going hard in the second half of its financial year. up to May 31, and yesterday reported an 8 per cent lower net profit, down from A$5.4m to A$5m (U.S.$5.6m).

But the results have not stopped the board from lifting the final dividend from 5 cents to 5.5 cents a share, to bring the total payout to 108 cents for year, against 9.5 cents last time. The company's largest shareholder is Broken Hill Proprietary Company, which holds 67 per cent of the capital.

Explaining the lower result, directors said that an improvement in market conditions was not reflected in the company's performance, because of industrial problems and initial losses associated with the introduction of plastic bottles for the soft drink industry.

In the first half, the group reported a 4 per cent drop in earnings to A$2.6m. At the time, the directors spoke confidently of prospects for the remaining six months.

Overall, sales rose by 4 per cent, from A$162.2m to A$169.2m (U.S.$190m).

Rights issue by Pioneer Concrete

By Our Sydney Correspondent

PIONEER Concrete Services is earmarking a substantial amount of yesterday's A$20.82m (US$23.5m) share issue for possible expansion of its interests in the UK and Spain, the company revealed yesterday.

Although the one-for-four rights issue at 90 cents a share—the first raising from shareholders since 1976—is described as being needed for general expansion both within Australia and overseas as well as for additional working capital, it is believed the group is keen to expand in Europe.

In the six months to December 31, the company lifted earnings by 19.3 per cent from A$9.70m to a record A$11.57m. Foreign activities grew by 32 per cent. In the last full year offshore divisions contributed 60 per cent of the A$19.61m result.

The new shares arising from the issue will rank for dividend after December 31. The dividend rate is expected to be maintained at 10 cents a share. The issue price of 90 cents is payable on acceptance, and books close on August 3. Company directors yesterday repeated their forecast that profit in the financial year just completed would be in the order of A$22.5m.

JAPANESE DEBT

Saudi loan renewal forecast

TOKYO — Japan is expected to renew a $1bn debt with Saudi Arabia incurred in 1974 to tide over a foreign exchange shortage caused by the 1973 oil crisis, according to banking sources.

The five-year debt owed to the Saudi Arabian Monetary Authority (SAMA), carrying a fixed interest rate of 10.5 per cent, falls due in September and October this year, it was said. The debt had taken the form of a SAMA deposit with the Bank of Tokyo, which onlent it to other Japanese banks.

The Ministry and SAMA would have to renegotiate the debt terms because Saudi Arabia might want a higher fixed rate than at present, while the Japanese side would seek a floating rate.

Terms would be settled through negotiations however, since Japan did not want to *replace the loan with fresh* borrowings from the Eurodollar market at this stage.

Meanwhile, Mr. Masahiko Seki, president of Federation of Bankers Associations, said that the present 7.2 per cent coupon rate on Japanese National Bonds should be raised from the August issue, irrespective of the official discount rate of the Bank of Japan.

However, Mr. Seki said, he believed an increase of 0.3 per cent to 0.5 per cent proposed in some market quarters, would *be too small a rise.*

Japanese banks had no urgent need to ask for an immediate rise in the 4.25 per cent official discount rate. The demand-supply relationship in the money market has not shown appreciable changes since the last increase in the discount rate in April, from 3.5 per cent to 4.25 per cent, and the tightening of unofficial controls over net additional lendings by commercial banks for the July-September period.

Reuter

Arab Bank international drive moves to Greece

BY RAMI G. KHOURI IN AMMAN

THE AMMAN-BASED Arab Bank, the oldest and largest commercial bank in the Arab world, *is continuing* its international expansion by opening a branch in Athens this year, Abdul Majeed Shoman, the Arab bank chairman and general manager, said yesterday.

This follows the move last month by which Arab Bank bought out the Morgan Grenfell Finance Company's 50 per cent stake in Arab and Morgan Grenfell Finance Company, the London-based merchant bank, to become sole owner. The subsidiary is being re-named Arab Bank Investment, and will continue to work from its London headquarters.

Mr. Shoman said that the move to establish a bigger presence in London has been dictated by the growing amount of investment banking work being undertaken by the Arab Bank. "We have been actively expanding internationally by our involvement in multinational banking, *consortia and* sister institutions, but we have recently realised the need to have an outlet in London, to be close to the world's biggest underwriting market. The big business in the Middle East today is becoming underwriting, syndications, bonds and guarantees," he said.

But, according to the bank's deputy chairman and deputy general manager, Mr. Khalid Shoman, the growth of investment banking activities will not affect the Arab Bank's traditionally conservative policy of maintaining a high liquidity ratio of around 60 per cent.

The new Athens branch, which will open later this year, will bring the Arab Bank network to 52 branches in 21 countries.

Consolidated profits rise at Japanese textile groups

TOKYO—Teijin, the major Japanese textile company, has announced that its net profit on a consolidated basis rose 50 per cent in the year to March 31, to Y3.82bn from Y2.54bn.

Consolidated sales totalled Y331.09bn, up 3.3 per cent.

Teijin said that the sharp increase in the net profit was attributable to the fact that the parent company produced a Y2.23bn profit in the year—five times the Y404m of 1977-78.

The parent company—Japan's largest polyester maker, and leading manufacturer of synthetic fibre—posted profits at this level mainly because prices of textile products in the domestic market remained at high levels as a result of production adjustments led by the Government to help the industry tide over the current recession.

At the same time, another Japanese textiles concern, Asahi Chemical Industry, the integrated synthetic fibre manufacturer, and the largest Japanese producer of acrylic fibre, increased its consolidated net profits by almost 71 per cent in the year to March 31, to Y9.18bn ($42.3m), from Y5.38bn in the previous year.

The profit gain came as sales fell 3.5 per cent to Y554.69bn ($2.6bn), from Y574.84bn.

Earnings a share were Y9.42, against Y5.67.

* * *

Tokio Marine and Fire Insurance Company increased its after-tax profit for the year to March 31 by 25.7 per cent to Y20.33bn ($93.7m), from Y16.17bn in 1977-78. A dividend of Y6.50 has been declared, against the previous Y5.50.

Agencies

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CURRENCIES, MONEY and GOLD

Pound strong

Sterling rose to its best level for several years in the foreign exchange market yesterday, while the dollar continued to weaken against all major currencies. The pound opened at $2.2525, and touched $2.2600 in the morning, before rising to a high point of $2.2750-2.2760 in the afternoon. It finished at $2.2705-2.2715, the highest closing level since June 1975.

Sterling was also strong against other European currencies, rising to DM4.175 from DM4.0825 against the D-mark, and to FFr. 9.59 from FFr. 9.5250 against the French franc. Its trade-weighted index, as calculated by the Bank of England, rose to 72.1 from 71.3, the best level since February 1976.

Intervention by the German Bundesbank and other central banks failed to prevent a further decline by the dollar, as the U.S. currency reacted to the lack of short-term measures to conserve energy in President Carter's proposals.

The dollar fell to DM 1.8125 from DM 1.8200 against the D-mark, and to SwFr 1.630 from SwFr. 1.6460 in terms of the Swiss franc. The dollar's index, on Bank of England figures fell to 83.9 from 84.3.

PARIS — The dollar lost ground, but sterling rose to its highest level against the franc for over four years. The U.S. currency closed at FFr 4.2237½, from FFr 4.2450 on Monday, while the pound improved to FFr 9.5940 from FFr 9.5090. The French franc remained weak against the D-mark and Swiss franc.

BRUSSELS—The Belgian franc rose against the D-mark, and strengthened against the ECU in the European Monetary System. The rise in four-month bond fund papers, and the increase in short-term Treasury certificate rates may have boosted the Belgian currency, in anticipation of a possible increase in key lending rates today.

FRANKFURT—The Bundesbank did not intervene when the dollar was fixed at DM 1.8130 against the D-mark, the lowest level since last October, down from DM1.8200 on Monday, which was a seven-month low. Trading was quiet, in anticipation of central bank support for the U.S. currency. The dollar moved within a narrow range of DM 1.8100 and DM 1.8135 before the fixing, and although the German authorities did not buy dollars at the fixing, the Bundesbank may have bought small amounts during the morning and more in the afternoon. Market sources suggested that the dollar's weakness was despite President Carter's promise to cut oil imports, since the market sees little short-term effects from the proposals.

TOKYO—The dollar fell to Y216.80 against the yen at the close, from Y217.70 on Monday.

THE POUND SPOT AND FORWARD

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2525-2.2760	2.2705-2.2715	0.70-0.60c pm	3.43	1.65-1.55 pm	2.82
Canada	2.6070-2.6340	2.6325-2.6335	0.75-0.65c pm	3.19	1.90-1.80 pm	2.81
Nethlnd.	4.50-4.53½	4.52-4.53	2⅛-1⅝c pm	4.97	5⅛-4⅝ pm	4.20
Belgium	65.50-65.85	65.70-65.80	12-2c pm	1.28	23-13 pm	1.00
Denmark	11.77-11.84	11.83-11.84	1½ore pm-½ore dis	0.51	3¼-5¾ dis	-4.36
Ireland	1.0830-1.0895	1.0880-1.0890	30-40p dis	-3.86	87-97 dis	-3.38
W. Ger.	4.09-4.13	4.11¾-4.12¾	3½-2⅞pf pm	8.74	8⅛-7⅞ pm	7.65
Portugal	109.20-110.20	109.90-110.10	30-90c dis	-6.54	80-180 dis	-4.73
Spain	148.70-150.00	149.90-150.00	100-130c dis	-9.23	270-370 dis	-8.54
Italy	1,845-1,853	1,851½-1,852½	3-5 lira dis	-2.59	8-11 dis	-2.05
Norway	11.37-11.43	11.42-11.43	4⅛-2⅝ore pm	3.41	11½-9½ pm	3.68
France	9.54-9.60	9.58½-9.59½	2⅛-1⅜c pm	2.81	5-4 pm	1.87
Sweden	9.51½-9.57	9.55¾-9.56¾	2ore pm-par	1.25	4⅛-2⅝ pm	1.36
Japan	485-492	490½-491½	4.20-3.90y pm	9.89	10.15-9.85 pm	8.14
Austria	30.05-30.25	30.18-30.23	22-12gro pm	6.75	55-45 pm	6.62
Switz.	3.68½-3.72	3.70½-3.71½	4⅛-3⅝c pm	13.24	12⅛-11⅝ pm	12.67

Belgian rate is for convertible francs. Financial franc 69.40-69.50c pm. Six-month forward dollar 2.80-2.70c pm: 12-month 4.65-4.55c pm.

THE DOLLAR SPOT AND FORWARD

July 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2525-2.2760	2.2705-2.2715	0.70-0.60c pm	3.77	1.65-1.55 pm	2.82
Ireland†	2.0840-2.0940	2.0880-2.0910	1.30-1.10c pm	6.89	3.20-3.00 pm	5.93
Canada†	85.10-86.60	86.30-86.33	0.04-0.02c pm	0.42	0.04-0.01 pm	0.11
Nethlnd.	1.9900-1.9970	1.9935-1.9950	0.30-0.25c pm	1.65	0.70-0.65 pm	1.35
Belgium	28.90-29.10	28.96½-28.98	4-6c dis	-2.07	10-13 dis	-1.59
Denmark	5.2080-5.2180	5.2100-5.2115	1.00-1.50ore dis	-2.88	5.25-5.75dis	-4.31
W. Ger.	1.8050-1.8140	1.8110-1.8120	0.82-0.72pf pm	5.10	2.21-2.11 pm	4.77
Portugal	48.25-48.75	48.40-48.50	35-45c dis	-9.91	90-130 dis	-9.08
Spain	65.90-66.15	66.02-66.06	100-110c dis	-19.08	235-255dis	-14.84
Italy	815.50-817.50	817.00-817.30	3⅛-4 lire dis	-5.36	9½-11 dis	-5.02
Norway	5.0320-5.0370	5.0335-5.0345	0.50ore pm-par	0.59	1.50-1.00 pm	0.99
France	4.2200-4.2300	4.2210-4.2230	0.37-0.17c dis	-0.34	0.80-1.00dis	-0.85
Sweden	4.2100-4.2160	4.2125-4.2135	0.30-0.50ore dis	-1.14	1.15-1.35dis	-1.18
Japan	216.20-216.80	216.30-216.50	1.20-1.10y pm	6.38	2.85-2.75 pm	5.17
Austria	13.28-13.32	13.29½-13.30½	4.75-4.25gro pm	4.06	12.50-11.00pm	3.53
Switz.	1.6300-1.6360	1.6320-1.6330	1.41-1.36c pm	10.14	4.02-3.97 pm	9.79

†UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

July 17	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.582687	0.619078
U.S. $	9½	1.30184	1.38674
Canadian $	11¼	1.50935	1.61055
Austria Sch.	3¾	17.4023	18.5268
Belgian F.	9	37.9877	40.4823
Danish K.	9	6.81513	7.26025
D mark	5	2.36935	2.52524
Guilder	8	2.60824	2.77943
French Fr.	9½	5.52566	5.88689
Lira	10½	—	1138.09
Yen	4¼	285.541	300.535
Nrwgn. K.	7	6.55867	6.98539
Spanish Pes.	8	85.9695	91.5869
Swedish Kr.	7	5.50639	5.86700
Swiss Fr.	1	2.14608	2.28605

CURRENCY MOVEMENTS

July 16	Bank of England Index	Morgan Guaranty changes %
Sterling	72.1	-33.4
U.S. dollar	83.9	-9.5
Canadian dollar	81.2	-16.5
Austrian schilling	148.1	+19.1
Belgian franc	114.6	+13.9
Danish kroner	114.2	+2.9
Deutsche Mark	152.5	+42.7
Swiss franc	199.2	+82.4
Guilder	123.7	+18.6
French franc	99.2	-7.4
Lira	55.1	-49.0
Yen	137.7	+50.2

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

July 17	£	$		£ Note Rates
Argentina Peso	3029-3049	1334-1343	Austria	29.5-30.5
Australia Dollar	2.0110-2.0150	0.8855-0.8880	Belgium	68.75-69.75
Brazil Cruzeiro	58.42-59.42	25.72-26.15	Denmark	11.70-11.85
Finland Markka	8.705-8.715	3.8315-3.8335	France	9.45-9.60
Greek Drachma	81.012-82.953	35.65-36.50	Germany	4.05-4.15
Hong Kong Dollar	11.715-11.750	5.1565-5.1650	Italy	1,820-1,860
Iran Rial	163.51-170.32	72.75	Japan	485-495
Kuwait Dinar (KD)	0.617-0.627	0.2751-0.2752	Netherlands	4.45-4.55
Luxembourg Frc.	65.70-65.80	28.95-28.97	Norway	11.30-11.50
Malaysia Dollar	4.8610-4.8710	2.1517-2.1527	Portugal	105-110
New Zealand Dlr.	2.2160-2.2240	0.9765-0.9785	Spain	147-151
Saudi Arab. Riyal	7.63-7.63	3.3560-3.3570	Switzerland	3.65-3.75
Singapore Dollar	4.88-4.875	2.1520-2.1530	United States	2.255-2.270
Sth. African Rand	1.9050-1.9150	0.8390-0.8430	Yugoslavia	42-45

Rate given for Argentina is free rate.

Rate for Argentina on July 16 should have been £2,988-£3,009 ($1,333-$1,342).

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.4715	+2.57	+1.37	±1.53
Danish Krone	7.08592	7.26822	+2.57	+1.37	±1.635
German D-Mark	2.51064	2.52525	+0.58	-0.62	±1.1325
French Franc	5.79831	5.88419	+1.48	+0.28	±1.35
Dutch Guilder	2.72077	2.77943	+2.16	+0.96	±1.5075
Irish Punt	0.662638	0.668384	+0.87	-0.33	±1.665
Italian Lira	1148.15	1139.10	-0.79	-0.79	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 17	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.271	4.118	491.5	9.590	3.710	4.525	1852.	2.633	65.75
U.S. Dollar	0.440	1.	1.812	216.3	4.223	1.634	1.993	815.5	1.159	28.95
Deutschemark	0.243	0.552	1.	119.3	2.329	0.901	1.099	449.8	0.639	15.97
Japanese Yen 1,000	2.036	4.623	8.382	1000.	19.52	7.551	9.211	3770.	5.360	133.8
French Franc 10	1.043	2.368	4.294	512.4	10.	3.869	4.718	1931.	2.746	68.56
Swiss Franc	0.270	0.612	1.110	132.5	2.585	1.	1.220	499.2	0.710	17.72
Dutch Guilder	0.221	0.502	0.910	108.6	2.119	0.820	1.	409.3	0.582	14.53
Italian Lira 1,000	0.540	1.226	2.222	265.2	5.178	2.003	2.443	1000.	1.422	35.50
Canadian Dollar	0.380	0.863	1.564	186.5	3.642	1.409	1.719	703.4	1.	24.97
Belgian Franc 100	1.521	3.455	6.263	747.5	14.59	5.643	6.883	2817.	4.005	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.55-10.65 per cent; three months 10.60-10.70 per cent; six months 10.60-10.70 per cent; one year 10.30-10.40 per cent.

July 17	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	14¼-14⅝	10¼-10½	9½-10½	9⅛-9⅜	[illegible]	5⅛-5⅜	9½-10	10-14	[illegible]	-1-4
7 days' notice	14¼-14⅝	10¼-10½	9½-10½	9⅛-9⅜	[illegible]	5⅛-5⅜	9¾-10	14-17	10¼-10⅜	2¾-4
Month	14¼-14⅝	10¼-10⅝	9⅞-10⅜	9⅜-9⅝	[illegible]	5⅞-6⅛	[illegible]	15-16½	10¼-10½	4¾-5⅛
Three months	14-14⅜	10⅜-10⅝	10-10⅜	9⅜-9⅝	[illegible]	6¼-6⅝	11¼-11⅜	15-16	10⅜-10⅝	5¾-6
Six months	13¼-13⅝	10⅜-10⅝	10-10⅜	9⅝-9⅞	[illegible]	6¾-7	11½-11⅝	15-16	10⅜-10⅝	6-6¼
One year	12¾-12⅞	10⅛-10⅜	10⅛-10⅜	9½-10⅛	[illegible]	6⅝-7	11¾-12⅛	14-15	10⅛-10⅜	6¼-6¾

Long-term Eurodollar: two years 10¼-10⅜ per cent; three years 10-10⅛ per cent; four years 10-10⅛ per cent; five years 9¾-10 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Rise in Belgian rates

Belgian rates continued their recent upward trend after Monday's increase on one, two and three-month Treasury certificates. Yesterday's auction saw the rate on four-month bond paper rise to 12 per cent from 11.40 per cent. However, the Belgian National Bank stressed that the increase was merely a technical move designed to bring the rate into line with other interest rates.

Deposit rates for the Belgian franc (commercial) were also higher yesterday, at 12¼-12⅜ per cent from 12-12¼ per cent for one-month and 12¼-12⅝ per cent against 12¼-12⅜ per cent for three-month. Six-month deposits were higher at 11¾-12 per cent from 11⅝-11⅞ per cent, with 12-month deposits rising to 10⅞-11 per cent from 10⅝-10⅞ per cent.

NEW YORK—The Federal Reserve Bank made overnight repurchase agreements when Fed funds touched 10⅜ per cent yesterday although rates remained for a while afterwards at 10⅜-10½ per cent. Conditions were generally very nervous with 13-week bills at 9.35 per cent against 9.336 per cent at Monday's auction and 26-week bills at 9.31 per cent compared with 9.255 per cent.

FRANKFURT—Call money eased to 5.25-5.40 per cent from 5.50-5.60 per cent yesterday and one-month money fell to 6.10-6.20 per cent from 6.15-6.30 per cent. Three-month money was lower at 6.70-6.80 per cent against 6.75-6.85 per cent while the six-month rate was quoted at 7.20-7.30 per cent compared with 7.10-7.30 per cent. 12-month money stood at 7.40-7.50 per cent against 7.30-7.50 per cent.

PARIS—Short-term money showed an easier tendency with call money at 9⅛ per cent from 9¼ per cent and one-month money falling to 9¼-9⅝ per cent from 9⅜-9⅝ per cent. Three-month money was quoted at 10⅛-10¼ per cent from 10⅛-10⅜ per cent but the six-month rate eased to 10⅛-10⅝ per cent compared with 10⅜-10⅝ per cent. The 12-month rate was quoted at 10⅝-11 per cent against 10⅝-11 per cent.

AMSTERDAM—Call money was quoted at 9⅛-9⅜ per cent against 9⅜-9⅝ per cent on Monday while one-month money eased slightly to 9⅛-9⅜ per cent from 9⅛-9⅝ per cent. The six-month rate was unchanged at 9⅞-10 per cent but 12-month money rose to 10⅛-10⅜ per cent from 10-10⅛ per cent previously.

HONG KONG—Conditions were generally tight during the morning but conditions eased during the afternoon. Call money was quoted at 9 per cent with overnight business dealt at 6 per cent.

GOLD

Further record

Gold rose $5 to close at a record $297¼-298¼. It opened at $295¼-296¼ and was fixed at $296.50 in the morning and $296.30 in the afternoon. Trading was nervous as the market reacted sceptically to President Carter's ability to force through significant energy saving measures in the U.S.

In Paris the 12½ kilo gold bar was fixed at FFr 42,250 per kilo ($310.81 per ounce) in the afternoon, compared with FFr 42,250 ($310.57) in the morning, and FFr 41,800 ($306.30) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 17,330 per kilo ($297.14 per ounce) compared with DM 17,065 ($291.89) previously.

	July 17	July 16
Gold Bullion (fine ounce)		
Close	$297¼-298¼ (£131¼-131¾)	$293¼-293¾ (£129¾-130.7)
Opening	$295¼-296¼ (£130.5-131.0)	$290-290¾ (£128.5-130.7)
Morning fixing	$296.50 (£131.241)	$291.40 (£130.487)
Afternoon fixing	$296.30 (£130.658)	$291.85 (£130.481)
Gold Coins, domestically		
Krugerrand	$307½-309½ (£135½-136½)	$301-303¼ (£134-135¼)
New Sovereigns	$78-80 (£34½-35½)	$76-78 (£33¼-34¼)
Old Sovereigns	$105-107 (£46½-47½)	$101¼-103¼ (£45-46)
Gold Coins, internationally		
Krugerrand	$307½-309½ (£135½-136½)	$301-303¼ (£134-135¼)
New Sovereigns	$78-80 (£34½-35½)	$76-78 (£33¼-34¼)
Old Sovereigns	$105-107 (£46½-47½)	$101¼-103¼ (£45-46)
$20 Eagles	$425-430	$418½-421½
$10 Eagles	$238-243	$235-240
$5 Eagles	$175-180	$170-175

MONEY RATES

NEW YORK	
Prime Rate	11.5
Fed Funds	10.4375
Treasury Bills (13-week)	9.35
Treasury Bills (26-week)	9.31
GERMANY	
Discount Rate	5
Overnight Rate	5.3250
One month	6.15
Three months	6.75
Six months	7.25
FRANCE	
Discount Rate	9.5
Overnight Rate	9.25
One month	9.6875
Three months	10.1875
Six months	10.5875
JAPAN	
Discount Rate	4.25
Call (Unconditional)	5.5625
Bills Discount (three-month)	6.2125

UK MONEY MARKET

Small shortage

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

There was a small shortage of day to day credit in the London money market yesterday, and the authorities intervened by buying a small number of Treasury bills, all direct from the discount houses. The latter were paying 13½ per cent for secured call loans at the start, with balances taken later in the day as low as 12 per cent. The market was faced with a small net take up of Treasury bills to finance and the repayment of Monday's small market advances. There was also a small increase in the note circulation. On the other hand banks brought forward balances some way above target.

In the interbank market overnight loans opened at 13⅞-14 per cent with most of the morning's business in this range. Rates eased to 13¼-13⅞ per cent later in the day and touched 12-13 per cent, before closing balances were taken in the region of 13-14 per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

July 17 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-14	[illegible]	—	—	[illegible]	12-13¾	—	—	—
2 days notice	—	—	[illegible]	—	—	—	—	—	—	—
7 days or	—	—	[illegible]	—	—	—	—	—	—	—
7 days notice	—	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	—	—	—
One month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
Two years	—	—	[illegible]	—	—	—	—	—	—	—

Local authority and finance houses seven days notice, others seven days fixed. *Long-term local authority mortgage rates nominally three years 12¾-12⅞ per cent; four years 12¾-12⅞ per cent; five years 12¾-12⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 13⅛-13 per cent; four-months trade bills 14⅛ per cent.

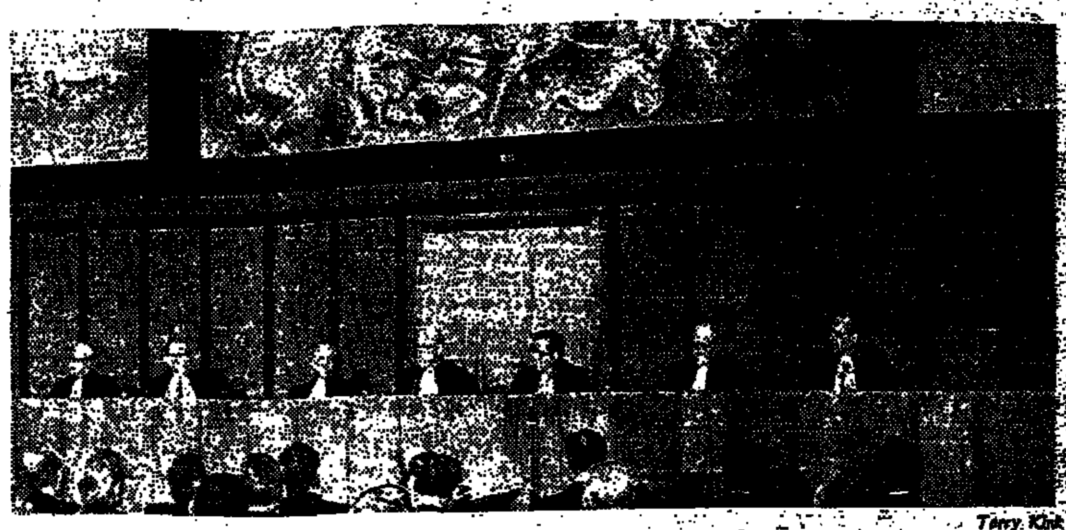
Approximate selling rate for one-month Treasury bills 13⅛-13⅞ per cent; two-months 13⅛ per cent; three-months 13⅛ per cent. Approximate selling rates for one-month bank bills 13⅝-13¼ per cent; two-months 13⅝-13¼ per cent; and three-month 13¼-13⅝ per cent; one-month trade bills 14¼ per cent; two-month 14¼ per cent; and three-month 14¼ per cent.

Finance House Base Rate (published by the Finance Houses Association) 13 per cent from July 1, 1979. Clearing Bank Deposit Rates for sums at seven days notice 11-11½ per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.3451 per cent.

CONTRACTS AND TENDERS

The case for a fundamental reform of the European Court

By A. H. HERMANN, Legal Correspondent



Terry Kirk

The European court in Luxembourg

LORD SCARMAN recently reminded his peers that England and Wales are the only separate jurisdiction not represented on the European Court. Their Lordships have been considering the difficulty of the EEC Ministers of Justice and the Lord Chancellor in agreeing on the nationality of the tenth judge they were willing to appoint in response to the court's plea for more manpower. Lord Scarman thought that the problem could be solved by considering the jurisdiction of the candidate's origins and not his nationality. An English judge could then be appointed in addition to the Scot who already sits in Luxembourg.

Lord Scarman was probably only joking, but the under-representation of common law thought and judicial practice in Luxembourg is a serious matter and, as is now becoming progressively more evident, British accession to the EEC had remarkably little impact on the structure and procedure of the European Court which remains dominated by the French model, suitable for a highly centralised state, but not for a loose and diversified community of nations.

To be able to do justice to the social, economic and political differences between the member states, the court would need to be more ready to listen to arguments; to adopt a more gradual approach to decision through an appeal procedure; to be less doctrinaire and to show a greater respect for the rights granted to member states under the Community Treaties or the Treaties of Accession. In short, there seems to be a need for a fundamental reform.

In many areas where agreement cannot be reached in the Commission or in the Council, the progress of European integration depends solely on the work of the court. Unfortunately, the court seems to be unable to grasp that its growing importance necessitates radical changes in its structure and procedure. Instead, it insists that the main element in the solution of its problems must be an increase of the number of judges from nine to 12 and the number of advocates general from four to six. The Council of Ministers of Justice has asked the court to consider instead a reform and a working party of experts formed for this purpose should report by the end of this month. It is therefore high time for a public discussion of the issues.

The Council, understandably, is reluctant to increase the number of judges to 12 at present and to pre-empt appointments which might become necessary after the accession of new member States from southern Europe. In a recent hearing of the House of Lords' Select Committee on European legislation the then Lord Chancellor, Lord Elwin Jones, indicated that the Council was inclined to accept an increase from the present nine to 10 judges but the agreement on the nationality of the additional judge seems to pose an insoluble problem. Anyhow, the effect desired could also be achieved by reducing the quorum of the full court from seven to five as it used to be in the Community of six. This would allow simultaneous sittings of the full court and of one chamber (where the quorum is three) with one judge to spare—a useful arrangement since even European judges are occasionally indisposed or have homework to do.

Though insisting on the need for five additional members, the court did propose certain minor improvements. The President of the court should be given the power to reject clearly inadmissible applications doing away with the need for the court to do so in full-scale proceedings. A change in the Rules of Procedure should enable the court to set up three chambers with three judges each (instead of the present two with four judges each) and assign to these chambers cases of all categories except those which are brought by a member State or a Community institution. The proposals provide that a member State or an institution of the Community involved in the proceedings could always ask that a particular case should be heard by the full court.

These proposals, though useful though they are, leave untouched the function of the advocates general where there is room for economy and improvement. Advocates general, an institution taken entirely from the French judicial system where they are something between an *amicus curiae* (a specialist lawyer called in by the court) and an Attorney General representing public interest, do all the spade work and in each case produce an opinion which could well stand as the judgment of a single judge. However, there the parallel with the single judge of the High Court in London ends. Parties to a dispute are not given an opportunity simply to accept the Advocate General's view or to argue, in appeal proceedings, that it is wrong. The European Court sometimes follows the opinion and sometimes rejects it, but never mentions a single word of it in its judgments. This seems to be a terrible waste and does not add to the consistency of European Court's legal doctrine.

Even more serious is that the present system does not guarantee the parties the right to be heard. Matters affecting directly both individuals and member states are decided without an adequate opportunity for the member governments to make their observations. The two months provided for observations by governments are not enough if interested parties are to be consulted first and there is no opportunity whatsoever to comment on new issues raised in the Advocate General's Opinion.

In many cases the Court's decision is a matter of striking a fine balance between the interest of the Community and of its individual member states or of an individual company. It does seem very unfair if after the French Advocate General has spoken as the representative of the Community's public interest, the other party has no opportunity to reply. But even when the other Advocates General behave like an English judge of the first instance, one party is always bound to be displeased. It seems contrary to all accepted notions of judicial procedure that a party to a dispute should not have a chance to argue with the opinion as it could at an appeal against the decision of a single judge.

This lack of opportunity for member governments to be heard is particularly serious in cases of references from national courts, amounting to 60 per cent of all cases heard in Luxembourg. The case in which the court outlawed the Northern Ireland Pig Marketing Board, and another concerning Belgian theatrical agencies but with implications for the UK, are but two of many recent examples where the decision concerned issues different from those originally raised. The issues referred to the court can undergo considerable changes in the course of the proceedings. The court referring the case to Luxembourg may place emphasis on one issue; the Advocate General in his opinion may play up another issue—with which no-one can quarrel—and the court in its decision may concentrate on a third issue not brought up previously. This is apparently the way things are done in France, but the Lord Chancellor found this very alarming from a common law point of view.

In the view of the Lord Chancellor's Department the present situation could be somewhat improved by making it possible for member governments to raise with the European Court matters that have already been decided by national courts. A new procedure, modelled on Article 4 of the European Judgment's Convention should enable governments to re-open legal argument on decided issues.

It seems a bit clumsy to leave the present inadequate and unfair procedure as it is and to add another procedure intended to put things right. But if the British Government, or any other member government, wishes to take this path there seems to be more than adequate provision for it in the Treaty and in the Statutes of the European Court. Member governments should be able to rely on EEC Treaty Article 164 (which simply states "the Court of Justice shall ensure that in interpretation and application of this Treaty the law is observed") and ask the court for an interpretation of the Treaty whenever they feel the need. Besides, Article 177 which has always been read as providing for references from national courts only, does not in fact contain any such limitation. Also the Statute of the Court in Article 39, provides member states and institutions of the Community with the chance of instituting third party proceedings to contest a judgment, where they were not heard, which is prejudicial to their rights. And according to Article 40 of the Statute, if the meaning or scope of a judgment is in doubt, any party or any institution of the Community which can establish an interest in it can ask for its elucidation. There is clearly plenty of scope for a more enterprising attitude on the part of member governments.

While denial of the right to be heard is a considerable irritant, particularly when the hearing is denied to a government, the constant straying of the court from the generally accepted rules of interpretation undermines its authority and may prove fatal not only to the court but also to the Community. Time and again, the court sidesteps the fundamental rule that a special provision derogates a general provision. Instead, the court uses the general provisions of the Treaties, often only a declaration of aims, to interpret the special provisions of the Treaty and in this way to re-write them. It can get away with it in smaller matters but when it tried (in its *Continental Can* decision) to introduce merger control in this way, for which no provision was made in the Treaty, it failed.

The recent decision of the court which outlawed British restrictions on the import of potatoes was reached by a particularly impolitic departure from the generally accepted rules of interpretation, dangerous for the relations between member governments and for applicants for Community membership. In maintaining import restrictions the British Government relied on a provision of the Treaty of Accession which gave this right to new members for certain products for as long as the Community has not created its own market organisation. The court did not deny that this was the meaning of the words of the Treaty of Accession but it reasoned that to allow the provision to stand would perpetuate inequality between old and new members. Surely, this was something to be considered at the time when the Treaty of Accession was negotiated.

The fact that a provision of the Treaty of Accession can be brushed aside by the European Court will not remain unobserved; it is likely to create considerable doubts in the mind of countries which associate with the Community in one way or another and sign agreements which the European Court can interpret.

The European Court enjoys considerable authority and the British Government promptly complied with the two recent decisions which went against it in the case of tachographs and of potato imports. No-one conscious of the political importance of the Community for western Europe would willingly put the authority of the court at risk. It seems that the court is its only enemy. It should be helped to view its structure, functioning and attitudes more critically.

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FINANCIAL TIMES SURVEY

Wednesday July 18 1979

Brazilian Banking and Insurance

Inflation continues to be a persistent problem. Growth rates may be pushed down as the government grapples with balance of payments difficulties but the Figueiredo government is conscious of the need to maintain dynamism in the economy and create jobs for a fast-growing population.

Puzzle for the General

By Hugh O'Shaughnessy, Latin American Editor

IT IS the year 2000. Leonid Brezhnev, Jimmy Carter and Joao Baptista de Oliveira Figueiredo, once President of Brazil, are sitting round chatting with the Almighty just inside the Pearly Gates.

"Almighty," says Brezhnev, "how long till Marxism-Leninism sweeps the world?"

"Four hundred years," replies the Almighty. And Brezhnev weeps bitterly.

"Almighty," says Carter, "how long till liberal democracy sweeps the world?"

"Five hundred years," replies the Almighty. And Carter weeps bitterly.

"Almighty," says Figueiredo, "how long till inflation is cured in Brazil?" And the Almighty weeps bitterly.

This joke going the rounds in Brazil points up the fact that despite the best efforts of orthodox Brazilian economists, politicians and planners and all the nostrums of the International Monetary Fund the rise in the cost of living is this year bounding up again.

Malady

It may well be around or beyond 50 per cent this year and the level of inflation is today, a decade and a-half after the military coup d'etat of 1964, running at a rather higher figure than that ruling before the generals took over.

The chronic malady of the Brazilian economy is no nearer being cured than it ever was; indeed inflationary pressures are worse today than they have been for some years.

The fight against inflation illustrates better than most other issues the dilemmas facing General Figueiredo as he settles into his first year in office. Must the military be true to the undertakings that they gave in 1964 when they said that the fight to keep down the cost of living was one of the main aims of their coup d'etat?

Or must the main priority now be a slow return to democracy combined with an effort to maintain growth rates at almost any price in order to generate the 1½m new jobs that Brazil's 120m citizens need to see created every year?

As the apocryphal conversation inside the Pearly Gates indicated it is likely that the control of inflation will take second place. It is true that the Government has made a stab at price stabilisation. In April it announced a big package of measures which ranged from the freezing for 60 days of the prices of processed foods sold in supermarkets and a brake on the price increases decreed for electricity and other public utilities to a threat to open the floodgates to foreign consumer goods where domestic manufacturers are seen to be gouging the public. Some $1.8m was lopped off the Federal budget, about 10 per cent of planned expenditure.

In the financial arena General Figueiredo did his best to choke off the inflationary effects of foreign borrowing by making it far more cumbersome and less profitable for private domestic borrowers.

Yet too firm a brake on credit runs the risk of wrecking the political strategy to which the General has committed himself. When he took office on March 15 for a six-year term he said he would be continuing the process of gradual return to democracy that was initiated somewhat haltingly by his predecessor General Ernesto Geisel. It was understood that there was to be no going back towards the authoritarianism of earlier military rulers like General Medici. And even if he had not said as much he would have had no option.

He took office in a week in which many of the biggest factories in the industrial centre of Sao Paulo were halted by strikes of workers demanding better pay and conditions. As he took office the Press, which five years before had been muzzled by very strict censorship, was openly discussing the political options for the future. Brazil was, and remains, pregnant with change and anyone who sought to end that pregnacy would be involved with a risky and bloody surgical operation.

Thus as organised labour attempts to recover some of the purchasing power lost by the workforce during a decade or more of enforced pay restraint there are domestic reasons enough to explain the increased pressures on the cost of living index.

But these domestic pressures are compounded by pressures *from the external sector. More* than most countries, Brazil, stands to lose by the escalating price of oil. For a number of reasons it has for more than a decade placed great emphasis on the development of road transport. Obeying the dictates of the doctrine of "national security," roads were built across the Amazon jungles to Brazil's farthest frontiers. Road building made many Brazilian construction companies into giants able to compete with any in the world. The motor vehicle industry grew and grew till last year Volkswagen, Fiat, General Motors, Volvo, Saab-Scania and many other foreign manufacturers were together able to turn out around 1m vehicles.

Thus price stability, the security of thousands of jobs and the prosperity of hundreds of Brazilian sub-contractors, as well as the giants of the motor industry have been compromised by the rise in oil prices.

The oil price rise has had very severe effects not just on the domestic sector but also on Brazil's international position. *With Petrobras, the State-*controlled monopoly concessionaire in domestic oil production, producing no more than a fifth of the oil needed by the country the increase in the oil import bill has been staggering. Nearly half Brazil's revenue from visible exports—$12.6bn last year—will have to be spent on oil imports. The deficit on the merchandise account, which last year came to virtually $1bn, is likely to rise this year, not just because of the increase in the oil bill itself but because of falling interest in Brazilian exports in an increasingly sluggish world market.

But the trade deficit is only the first twist in the debt spiral. Having spent 50 per cent of its export earnings on oil, Brazil must theoretically spend another 70 per cent or more on the servicing of a debt which, public and private, amounted to $43bn at the end of last year. The decision taken at the end of the 1960s to rely heavily on foreign savings gave an undoubted boost to growth in the early 1970s, but today, as explained in *greater detail elsewhere in this* survey, the servicing burden is assuming nightmare proportions.

Faced with a current account deficit of perhaps $7bn this year, the authorities will have little option, if they want to avoid the total debt hitting the $50bn mark, but to run down the foreign reserves. Standing at $11.9bn at the end of last year they will perhaps be brought down to between $7bn and $8bn.

For the Figueiredo Government this complex of problems can best be tackled by moving financial resources and Government attention towards the agricultural sector. The potential rewards from this sector seem so appreciable that it appears strange that they were not better acknowledged before. First, a boost to agriculture could cut the import bill two ways. An expansion of food production could reduce the need to buy in such items as wheat and beans, reduce prices in the domestic market-place and possibly improve the low standards of nutrition of much of the population.

In particular an expansion of the acreage devoted to the cultivation of sugar cane should boost the oil substitution programme. The idea is for alcohol produced from sugar cane to be increasingly admixed with petrol so as to save on crude oil imports. An ambitious scheme, Proalcool, has been started with the aim of producing 2.6bn litres of ethanol from alcohol and allowing petrol to be admixed with 15 per cent of synthetic fuel.

The long-term aim is to replace petrol entirely by *synthetic cane-based fuels. But* this may well take a decade or more and involve much investment in technology and not a little trial and error.

With most of Brazilian cane grown in the north-east the new demand for the crop must benefit a region which has hitherto suffered from the most intractable problems of poverty of any in Brazil.

Promise

But the new emphasis on agriculture should have more widespread benefits still. Whether in the north-east with sugar cane or in other parts of the country with other crops agricultural development must yield a harvest of new jobs, spread the wealth of the country more widely in rural areas and do something to slow the so far uncontrolled growth of the cities. The Government has promised too that the $20bn which is currently invested in the agricultural sector will be directed increasingly towards small and medium farmers who have hitherto lost out to their larger neighbours.

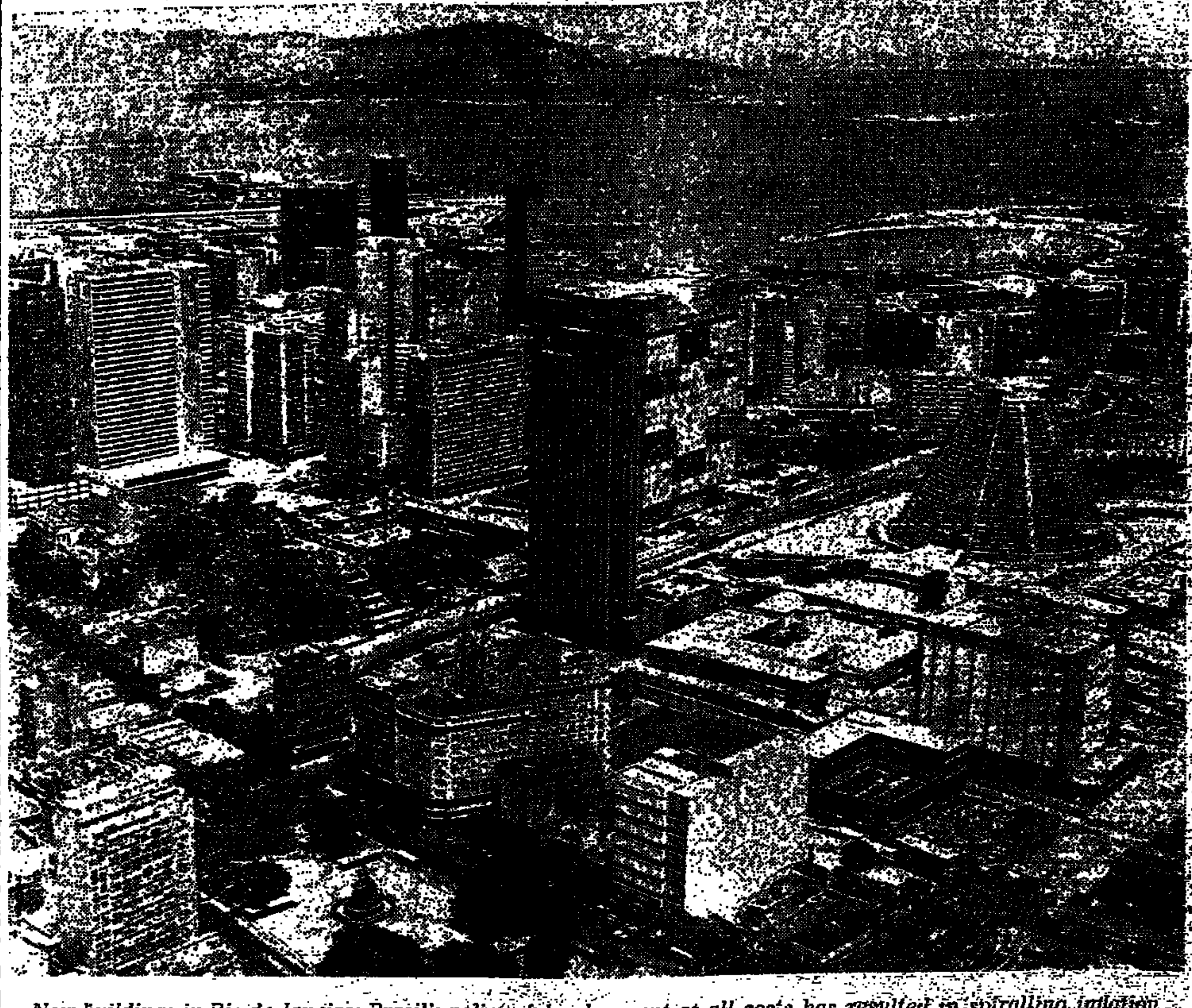
All in all the new agricultural schemes should have a counter-cyclical effect of great importance in the particular set of straitened circumstances in which Brazil finds itself.

The new strategy has been entrusted to Professor Antonio Delfim Neto, the former Finance Minister and a man with ambitions for the Presidency. The new Agriculture Minister cannot afford to fail, as much from his own personal point of view as from the country's.

The strategy presents challenges to bankers and insurers alike. Having mastered the complexities of Brazil's industrial and commercial scene they will have to turn increasingly to the complexities of the land, the risks of crop failure and the financing of the new infrastructures needed if Brazil is to realise its farming potential.

In the past Brazil has been almost a paradise for bankers, particularly foreign ones. Demand has been big and margins high.

As the years of 11 per cent growth fade into history and as Brazil resigns itself to expanding its Gross National Product only a little faster than the rise in population the palmiest days for the financiers may well be over.



New buildings in Rio de Janeiro: Brazil's policy of development at all costs has resulted in spiralling inflation.

Central Bank to be streamlined

OVER THE next two years Brazil's Central Bank will be turned into a model of a classic central bank, along the lines of the Bank of England or the U.S. Federal Reserve.

Since its foundation in 1964 the Central Bank has been a paradox, simultaneously deflating and inflating, because its role as regulator of money supply and the credit system has been confused with its secondary role as a development/incentive bank geared to "irrigation" of the economy.

This duality is now being corrected. All development/incentive functions will be transferred from the Central Bank to the half-State-half-private-owned Bank of Brazil, the National Economic Development Bank or to private commercial banks. Moreover, the 150-year-old Bank of Brazil's status as a joint monetary authority with the Central Bank will cease.

In future, the Central Bank will be the sole lender of last resort—a function it has hitherto shared with the Bank of Brazil. Meanwhile the Bank of Brazil will assume all aspects of a classic commercial bank, while handling current accounts of State-run enterprises and channelling the bulk of support funds to agriculture.

Detail

The Central Bank's role as currency/credit regulator will be strengthened by tighter control of the "open" market—the market that deals in Treasury bonds and bills, bank deposit certificates and other financial institution paper. On October 3, the central bank will inaugurate a clearing house for Treasury paper, modelled in every detail on the New York Clearing House.

Once the Central Bank inaugurates its clearing house, it will be able to eliminate the time-lag between its (immediate) delivery of Treasury paper to the purchaser—a bank, broker or other financial institution—and collection of payment from the purchaser against a bank or broker's house cheque, which normally takes place 24 hours later.

During this 24-hour gap institutions are able to plump out reserves through acquisition of Treasury paper, lend heavily, if they see fit, and through intensive overnight trading artificially inflate the value of Treasury paper. While "traditional" institutions—the more solid commercial banks—refrain from such practices, the less "traditional" do not. The inflationary effects have been considerable.

The clearing house will eliminate the use of cheques. As a result, Central Bank officials hope, interest rates as a whole will cool off by eliminating the risk factor—bouncing cheques—from overnight operations.

To discourage speculation on the open market, the Central Bank has also recently instituted the practice of weekly issue of statistics on the market's activities; in the past statistics were released after 90 days. This is part of a new full disclosure policy which the Central Bank hopes will greatly reduce, if not eliminate, pressure on insider information.

Alterations in the functions of the Central Bank and structure of the Treasury paper market are essential elements of the revised policies of the new Brazilian Government headed by General Joao Figueiredo, which was sworn in on March 15.

The essence of economic policy since 1964, when military and technocratic planners took over the administration of Brazil, has been "development at all costs." The cost of promoting an annual growth of over 10 per cent between 1968 and 1974, and, after the oil crisis, of close to 7 per cent, has been spiralling inflation—36 per cent in 1977, 40.8 per cent in 1978 and a first quarter 1979 figure which threatens an annual rate of over 50 per cent this year.

Despite efforts by the last Treasury Minister, Sr. Mario Simonsen (now planning overlord), to tackle inflation during the 1974–March 1979 administration, pro-development arguments outweighed considerations of cost of living control. Monetary measures—compulsory deposits by commercial banks with the central bank of first 30 per cent and then 35 per cent of their current account funds, freezes on cruzeiro concessions of foreign borrowing, periodic mini-devaluations to discourage outlays on imports and superfluous overseas borrowing while encouraging exports—all proved largely unsuccessful.

When the new administration found itself confronted with 5.8 per cent monthly inflation in March this year it declared war on inflation, even at the risk of reduced industrial production and slower economic growth. So far it is rejecting the idea of substantial recession.

Government spending has been pruned by over $2bn and private consumption discouraged by substantial increases in the cost of hire purchase instalments on durable consumer goods. Ceilings have been placed on public and private foreign borrowing ($4bn for the former, $2bn for the latter) with a 50 per cent freeze on cruzeiro conversions of a wide range of private foreign loans). The structure of subsidies and incentives to farming, industry and exports is under review. Food prices were frozen temporarily (as one potent factor in inflation) and efforts were made to persuade the financial community voluntarily to reduce lending rates which in April were running at about 52 per cent per annum.

Voluntary

The voluntary reduction did not occur and lending rates continued to rise alarmingly. They now run at about 56 per cent per annum on one-year loans and 62 to 63 per cent on very short-term loans (60 to 90 days).

The new Government attempted to restrain free lending by banks from deposit account funds (current account funds are strictly regulated; 35 per cent must be deposited with the central bank, almost half the remainder must be lent at favourable rates to farmers and small businesses) by increasing the compulsory deposit retention period from 180 days to 360 days—another effort to curtail money supply.

Furthermore, to tighten commercial bank liquidity it introduced a new strict system for calculation of monthly reserves to ensure that institutions deposit an accurate 35 per cent with the central bank, not a "loose" 35 per cent which in several cases bore little relation to the true sum of reserves.

Demand for loans remains very high, however, and cruzeiro loans have become more attractive because of the increasing restrictions on, and cost of, foreign borrowing. There seems little incentive to reduce lending rates voluntarily. The Government is therefore exercising its option gradually to impose measures that will drive rates down—or so it hopes.

Once stricter trading rules take effect, the Treasury paper market should revert to the purpose for which it was created in 1964—a major source of Government funds. While operations on this market rose from total receipts of Cr 33bn ($1.3bn) in 1973, to Cr 368bn ($14.45bn) in 1978, total income passed on to the Treasury has not reflected the market's intense activity. In 1973 this income amounted to Cr 7.2bn ($285m), or 22 per cent of open market receipts. In 1978 it amounted to Cr 12.49bn ($489m), 3.39 per cent.

As an illustration of the impact of the open market, the 1978 national budget totalled Cr 322bn ($12.62bn), or less than open market receipts. Budgets of the State-run enterprises—oil, mining, transport, electricity and other monopolies—totalled Cr 238.3bn ($9.36bn).

In one year money supply has risen by 50 per cent—a figure that makes the Government's 1979 target of a 30 per cent increase largely unworkable. In the more distant future, however, strict scrutiny by the Planning Ministry of the national monetary budget and the public debt (with close regulation of issues circulation terms and withdrawal of Treasury papers) should have beneficial effects.

Brazil's post-1964 technocrats resorted largely to strong sophisticated foreign models for the country's new financial institutions or instruments. The gist of ensuing problems, observers feel, was that a largely unsophisticated community needed guidance in using these instruments constructively, rather than speculatively, on the principle that, no matter how perfect a tool is, it may become counter-productive in the hands of novices.

Diana Smith

Flourishing foreign contingent

BRAZIL PLAYS host to 18 fully-fledged foreign commercial banks, including the Bank of Boston, Citibank, the Bank of London and South America, Chase Manhattan (as Banco Lar Brasileiro), the Bank of Tokyo and the Banque Europeene pour l'Amerique Latine.

Of Brazil's 36 investment banks 21 have strong foreign links—the Investment Bank of the Banco de Credito Nacional with Barclays, the Bozano-Simonsen Investment Bank with the Mellon Corporation and the Mitsui Bank, the Finasa Investment Bank with the Morgan Guaranty Trust, among others.

Finally, 136 representative offices of foreign banks are allowed to operate as "marriage brokers" only—that is, they may bring prospective partners together but not directly handle transactions.

The commercial banks, whose number of local branches is limited by law, may perform all the usual banking services for clients. Their performance, therefore, is only mildly affected when the Brazilian Government takes the drastic step—as it did on April 18 this year—of declaring a fixed ceiling on public and private foreign borrowing of $6bn, half the sum borrowed abroad in 1978.

While this ceiling could have dampened the enthusiasm of foreign bank operators in Brazil—a growth economy despite oil price traumas, and a traditionally energetic taker of foreign loans—it proved eventually to be less drastic than expected.

Having first declared the ceiling—$4bn on public borrowing, $2bn on private borrowing—and an indefinite freeze of 50 per cent of cruzeiro proceeds of private foreign loans, the Government then took a closer look at the facts: that important raw materials, infrastructural and alternative fuel supply projects would suffer painful effects.

Recently, therefore, the Government exempted all industrial projects approved by the Industrial Development Council (CDI) before April 18 from ceiling or freeze. It also made it clear that trade credits under export-import development programmes would be allowed to continue. With the urgent drive to develop manufactured exports so as to offset partially the impact of this year's OPEC price increases, this area is a fitting target for foreign credits.

What the ceiling-freeze on private foreign borrowing has done—and was meant to do—is virtually to dry up superfluous borrowing. To a great extent, the 1978 influx of $12bn in new foreign loans was caused by a Government decision to accumulate foreign reserves. Anticipating a heavy repayment profile in the next three years on the $43bn foreign debt, and availing itself of easy liquidity on the Eurodollar market, the Government borrowed more than it needed for running outlays. Having done so, it is now hiving off $3bn from the reserves, reducing them to less inflationary levels.

Eagerly

On the other hand, with domestic lending rates rising from 45 per cent to over 50 per cent annually during 1978, Brazilian concerns and subsidiaries of foreign enterprises that were not taking house loans from the head office went eagerly to the Euromarket for (then) reasonable interest rates.

The impact of public and private foreign borrowing on money supply was so inflationary that in mid-1978, the monetary council placed a two month, then five month freeze on cruzeiro proceeds: these proceeds are now being liberated gradually.

To stimulate exports and discourage imports and further discourage superfluous foreign borrowing, the Government began to step up the frequency and size of its 11 year old mini-devaluation system at the beginning of this year. The results have begun to change the nature of borrowing in Brazil—and, as a side-effect, to stimulate cruzeiro loans (which foreign, commercial banks here may grant): with devaluation of over 45 per cent since April 1978, and Libor now 12 per cent, only companies adamantly resolved to take foreign credit for development or expansion projects are tempted to borrow outside Brazil, even though domestic lending rates have now moved beyond 55 per cent annually.

Meanwhile, renegotiation of existing debts has become increasingly active. Here, both foreign commercial banks and representative offices have considerable scope.

In the space of less than two years, the central bank has issued instructions to would-be borrowers to take loans for a minimum, first, of five and then of eight years. By the end of last year it was encouraging state-run enterprises and private borrowers to secure even longer-term loans: either they could make early repayment to one bank and negotiate a long-term loan for a similar sum with another bank, or operate a straightforward renegotiation with the same bank—presuming that bank was amenable. Competition to get rollover business is now heating up among foreign banks located or represented in Brazil.

Existing restrictions on private foreign borrowing and anticipation of theoretical further restrictions, should the Brazilian Government decide to tighten controls on activities of subsidiaries of transnational companies, have led these subsidiaries to make provisions. Gradually, they are refraining from house to house loans from the head office and changing from the parent company to a bank. They are also raising equity—something the Brazilian Government had urged them to do for several years with little response. With the effects switches of devaluation and in patterns of borrowing, the cruzeiro-dollar mix in all credits is now changing from 40 per cent cruzeiros to 60 per cent dollars, to 60 per cent cruzeiros and 40 per cent dollars.

The foreign banking community in Brazil appears to have responded positively to the Government's efforts to control inflation, on the one hand, and rapidly develop alternative fuel sources on the other through investment in alcohol, coal, hydroelectric and other programmes.

Projects

In the long run, these programmes will save Brazil billions of dollars annually in imported oil (likely to cost $6.5bn-$7bn in 1979 — half the cost of all imports). Meanwhile, technology and equipment for the programmes will require billions of dollars of capital investment: the alcohol programme alone calls for $5bn in the next six years. Several foreign banks have expressed interest in these new developments, as well as continuing programmes in the shipbuilding and coastal shipping industries and raw materials development projects.

Their assumption appears to be that, despite oil problems and inflation, which may not be as controllable as the Government hopes, Brazil still has a great deal to offer to the international banking community. The next three or four years should tell whether Brazil — or any nation—can stand up financially to the oil strain: but bankers welcome the realisation by the new Government that it is impossible to go on overheating the national machine forever and that sound, realistic economic management is not only desirable but urgently needed.

But foreign bankers are somewhat reserved about the ambition of the new Mayor of Rio de Janeiro, Sr. Israel Klabin, to turn the city into an offshore financing unit. On the one hand, they doubt that the advent of a "Riodollar" centre would provide the booster to the Rio de Janeiro economy that Sr. Klabin hopes for (the city is $250m short on its 1979 budget. On the other hand, before the city could expect to service a high-speed, complex international finance centre it would have to do something drastic about its telecommunications, especially telephones, which drive bankers, businessmen, merchants and private citizens into a frenzy with perpetual breakdowns that may last for weeks. Ironically — on the day the Rio Press heralded Sr. Klabin's "Riodollar" idea, a newspaper carried a paid advertisement from a foreign bank stating that, due to the "total incompetence" of Telerj (the Rio telephone company), the bank's telephones had been mute for five weeks.

There are other considerations besides appalling telecommunications that may kill the "Riodollar" dream. Several strong foreign banks would only be likely to set up offshore shop if they were assured of greater facilities for their onshore operations — more branches for existing foreign commercial banks or permission to install commercial operations for those now with only representative offices. Such facilities are unlikely to be granted, in view of the power of the Brazilian private banking lobby, which is none too happy to find foreign commercial banks attracting a growing share of the wholesale market, with highly specialised, rapid services. Besides, banks say, Latin America already has Panama City, the Bahamas and the Caymans as offshore units: why overload the system?

Diana Smith

Banco do Brasil

THE BANCO do Brasil, the biggest bank in Brazil and perhaps the biggest based in the Third World, has lately been growing very fast. It should grow even faster in the next few years. As the agent of the Brazilian Government and the repository of much of its funds the bank has seen its assets grow from $23.2bn in 1974 to $49bn at the end of last year. Despite the allegations of unfair competition that foreign and domestic privately owned banks level against it the bank is unlikely to lose Government patronage; the Government after all owns a majority of its shares.

As has been noted in the introduction to this survey the touchstone for the incoming Figueiredo administration is to be agriculture. No bank is stronger in the Brazilian countryside than the Banco do Brasil. In his foreword to last last year's annual report the then president of the bank, Sr. Karlos Rischbieter, who is now Finance Minister, laid great stress on the rural sector.

Credit

"The seemingly insignificant rural labourer, practising rudimentary subsistence agriculture, has never been forgotten by the Banco do Brasil, because credit—and the speed with which it is mobilised and granted—is perhaps the most important means of obtaining increased rural production. When it became clear that a great number of Brazilian municipalities still did not receive adequate banking assistance, I suggested that to correct this deficiency, Advanced Posts of Rural Credit should be established."

With a low rate of administrative costs, these Posts would be able to offer their support to the small producer, while providing technical and marketing guidance, and thus reducing the physical distance and breaking down the barriers which separate him from credit supply. "The goal is to establish 500 Posts within a short time," because the nation possesses an immense interior which demands assistance."

The bank's lending to the agricultural sector has been increasing very steadily in both real terms and as a percentage of the bank's total business. Of its total loans in December, 1978, of $21.8bn agriculture made up $8.3bn or 38.3 per cent, up from 37.1 per cent two years previously.

At the same time the Banco do Brasil has been used by the Government to pump money into the alcohol-producing scheme Proalcool which was lent $357.6m in 1978.

One of the keys to the bank's farm sector lending has been the Government-backed minimum price policy which particularly affects four crops—rice, cotton, maize and soya. At the end of last year $1.1bn was outstanding in loans linked to the minimum price policy.

Besides agriculture the other major strong point of the Banco do Brasil is the building up of an increasingly large international branch network. With 50 branches in operation at the moment the Banco do Brasil does its best to the vital job of helping Brazilian exporters. Last year the bank provided $3.8bn in the form of loans to assist Brazilian traders.

The bank was also a participant in ten syndicated loan operations with an aggregate value of $1.3bn while selling Brazilian bonds in the international financial markets.

The dimming of enthusiasm for consortium banks has not yet affected the Brazilians.

In the light of Brazil's particular drive to conquer markets in Africa the bank's shareholding in the Banque Internationale pour l'Afrique Occidentale which has 145 branches mostly scattered throughout the former French West Africa is seen as having particular importance.

Hugh O'Shaughnessy

LOANS TO RURAL SECTOR

Item	Balances in US$m Dec. '78	Percentage composition Dec. '77	Dec. '78	% Change Dec. '77-Dec. '78	Dec. '76-Dec. '77
CROPS	5,186	49.9	47.4	22.3	−4.0
Cotton	428	4.3	3.9	39.7	−6.8
Rice	439	4.5	4.0	−15.6	−8.2
Cocoa	62	0.4	0.6	25.8	61.5
Coffee	1,022	12.9	9.3	69.3	−26.1
Sugarcane	615	5.8	5.6	15.2	−0.8
Beans	97	0.2	0.9	216.7	2.1
Tobacco	93	0.4	0.6	25.8	61.5
Manioc	44	0.4	0.4	−55.6	4.8
Corn	225	2.3	2.1	−9.0	−7.4
Soybeans	520	4.1	4.8	99.5	19.0
Wheat	639	5.5	6.4	−14.0	18.3
Other crops	920	8.5	8.4	57.0	−0.4
HERDS	1,276	10.1	11.7	−4.8	17.9
Poultry farming	109	0.7	1.0	84.2	55.7
Cattle farming	933	7.9	8.5	−9.5	10.0
Sheep farming	31	0.2	0.3	11.1	50.0
Fishing	3	0.0	0.0	−33.3	50.9
Pig farming	82	0.5	0.8	27.3	46.4
Other herds	116	0.8	1.1	−10.6	38.1
IMPROVEMENTS & EQUIPMENT	3,189	28.6	29.1	5.4	4.1
MODERN INPUTS	903	8.0	8.2	−6.9	4.5
OTHERS†	441	3.4	4.0	25.7	21.8
TOTAL	10,945	100.0	100.0	15.3	2.1
Production	9,522	84.8	87.0	10.4	4.7
Producers	8,862	79.8	81.0	9.2	3.6
Cooperatives	660	5.0	6.0	35.4	22.4
Marketing	1,423	15.2	13.0	52.7	−12.6

* Includes agricultural products purchased by the Federal Government. † Includes part of advance against exchange contracts.
Source: DEPES, COTEC.

Insurance sector expanding

OCCUPYING ONE-THIRD of the area of a subcontinent of 320m inhabitants, Brazil today is the world's tenth largest economy, with a GDP of $170bn divided among 120m people.

The economy grew by over 10 per cent a year between 1970 and 1974. It has grown at just over 6 per cent a year since the worst effect of the worldwide oil crisis took root.

Brazilian insurance business, meanwhile, has grown annually at almost twice the rate of GDP. Despite this rapid expansion, and 1978 premium sales of $1.5bn, insurance accounts for under 1 per cent of GDP, a ratio considered unsatisfactory for a semi-industrialised country with rising middle-class standards of living.

Nevertheless, considering the past image of the industry — a fragmented, largely-amateurish trade with 189 companies sharing a modest $22m in assets at the end of the 1960s; running up annual insurance and reinsurance deficits in the balance of payments of $8.8m; basically devoid of self-discipline or government regulations — Brazil's insurance business has progressed extraordinarily.

Rationalisation and a clean up began in 1966, when compulsory fire insurance was introduced for all concerns with more than Cr20,000 ($785) in assets. Such was the weakness of insurance companies that many could not meet their obligations, and ran at *high annual losses.*

Mess

Thereafter, the government-run National Council for Private Insurance (CNSP) set about tidying up the mess, working through the Superintendency for Private Insurance (SUSEP) and the Brazilian Institute of Reinsurance (IRB) — half of whose shares belong to private insurance companies, the other half to national social security bodies or individual states' insurance companies.

Tax and technical incentives were offered to stimulate mergers and incorporations. The number of companies was reduced from 189 to 93. The majors—groups such as Sul-*america*, *Atlantico-Boabista*, Companhia Internacional de Seguros, Itau, Bandeirantes and Bamerindus, today have individual assets ranging between $50m and $105m, they operate with up-to-date technology and are gradually building up a *strong foreign image.*

To strengthen market finances the authorities imposed a series of rules: first, insurance policies would be collected only through banks, to put a stop to chronic non-payment; second, minimum capital/asset/technical reserves bases were imposed for all companies, in accordance with size and capacity. Between 1970 and 1978, total capital of Brazil's insurance companies rose from Cr 228.9m ($8.9m) to CR 9.52bn ($373m), technical reserves rose from $13.7m to $534m, and net assets from $22.6m to $908m.

Meanwhile, through the IRB—which has the monopoly of Brazilian reinsurance—the market expanded coverage from five, basic portfolios—fire, work accidents, life, transport and personal accidents—to every form of coverage, now grouped into 32 portfolios.

The diversification and sophistication of coverage offered locally was bound to grow with the progress of Brazilian industrialisation and trade, however, the authorities forced the pace. In the early 1970s they transferred all coverage of import and maritime insurance to the domestic market. The move aroused considerable international controversy but it saved Brazil about $187m in foreign exchange on maritime insurance alone.

Moreover, the IRB, under Sr. Jose Lopes de Oliveira, who ran the institute from 1970 to early 1979, instituted the principle of reciprocity in reinsurance dealings with foreign markets. That is, in return for reinsurance placed outside Brazil, premiums must come into Brazil. Aside from the IRB, private Brazilian insurance companies are now authorised to sell premiums to foreign companies.

Companies' income from sales of premiums abroad has risen from Cr 6.4m ($250,000) in 1973 to Cr 283m ($11m) in 1978. Senior partners of Brazil's *major insurance companies* agree that this area is one of major potential growth. As their own technical capacity and credibility increases, they are confident of attracting international sales that will further assist the insurance item of the *balance of payments—the only* item on Brazil's current accounts that showed a surplus in 1978.

That the market has become more acceptable to foreign concerns is proved by the growing numbers of subsidiaries of foreign industries that now place their insurance inside Brazil, after decades of covering their assets abroad.

In this domain, activities of larger, sophisticated brokers have been spearheads for local placement. With the increase of offshore drilling on the Brazilian continental shelf—either by the national monopoly, Petrobras, private Brazilian concerns, or foreign oil majors operating under risk contracts—demand for this specific coverage is *growing.* The technical experience of internationally-known brokers, working in association with Brazilian partners of national repute, is now being put to widespread use.

Brokers—whether lone operators selling insurance in small towns or city suburbs, or large companies with offices around the country—are still the major educational and promotional force in Brazilian insurance.

Costs of advertising on TV or Radio—Brazil's most prolific media—are deemed prohibitive by most insurance companies. There is some group advertising, aimed at raising national understanding of liability, but generally, the country's 1,000 licensed brokers (about 500 of whom are considered truly active and far fewer truly professional) are the sole source of knowledge about insurance for the man in the street or the office.

Brazil's big four brokers, companies that provide a range of services comparable with foreign trends and whose annual production is comparable with sophisticated foreign markets, have strong international connections, such as Pallas, associated with West Germany's Gradman-Holler, which looks almost exclusively after the interests of Volkswagen of Brazil, which holds nearly 50 per cent of the local car market.

Among the strongest brokerage companies in Brazil not tied to any industrial group are Elma (associated with Johnson and Higgins of the U.S.). Tudor, Marsh and McLellan (part of the world's largest group, Marsh and McLellan), and Porto Nazareth which represents the Sedgwick Forbes Bland Payne Group.

Calls for greater professionalism, intensive training staff for the industry, as well as senior management training, are a constant among Brazilian insurance experts. Indeed, an insurance school, sponsored by the ERB and the companies, has now been set up and already has granted diplomas to more than 4,000 out of 6,000 students.

Nevertheless, industry leaders say, the market cannot consider itself fully mature until the last traces of amateurism and incompetence have been eradicated. Its heritage was uncomfortable: traditionally, most Brazilian insurance companies, especially the smaller ones, were founded by long operators strong on instinct but short on practical knowledge. Often, their heirs took no interest in the business, and handed over management to friends or relatives more interested in sinecures than in promoting insurance or balancing company books.

The rationalisation of this decade has eliminated much of the deadwood from the trade, but traces of amateurism linger above all in selling of now compulsory third party risk policies to new car owners. Industry leaders estimates that the overwhelming majority of car owners have little idea of what policies cost and what premiums cover.

Reward

This, in a country with about 12m cars, and the highest fatal accident rate in the world—26.9 per 10,000 vehicles—is cause for concern. Faced with heavy losses in motor insurance, the companies have instituted a system whereby drivers with clean records are rewarded with lower premium costs, and repeated offenders are compelled to pay progressively higher shares of material damage to their vehicles with each accident.

With stronger insurance, companies the complexion of reinsurance has altered substantially in recent years: as technical and financial capacity has grown, retention, reinsurance and retrocession have changed radically in their proportions. In 1970, 25.7 per cent of a premium was reinsured, 22.8 per cent re-processed to companies through the pool, and the IRB retained 2.9 per cent. In 1978, these proportions altered to 26.2 per cent, 12.9 per cent and 13.3 per cent, respectively. Moreover, between 1972 and 1977, the IRB placed an average of 3.95 per cent of Brazilian premiums abroad for reinsurance. By 1978, this ratio dropped to 2.5 per cent—lowest in Brazil's history.

Retaining capacity of Brazilian companies has increased in all fields—direct insurance, reinsurance and retrocession. And according to the IRB report for 1970-79, which provides an exhaustive history of the trade's nine-year growth, it has been stimulated further by the creation of Eure—the single extraordinary risk surplus, which drew an income of $6.8m in 1978, and in which all companies take a pool share, with the IRB.

The IRB today is far and away the largest reinsurance body in Latin America: its annual premium income of $534m in 1978 was almost double that of its closest sub-continental rival, Inder of Argentina. The institute now has an operational London office and, with Brazilian private companies, a 55 per cent share in the $25m capital of the United American Insurance Company, a concern established in December 1978 in New York, so as, the IRB says, to take advantage of increasing retention on the U.S. market of American premiums.

In 1978, the IRB learned a painful lesson in London. Its problems in the Sasse Affair, most local observers agree, were caused by over-hastiness, lack of proper research into the risks eventually proved highly dubious, taken by its brokers and lack of understanding of the "gentleman's agreement" ways of the London market.

The incident is deemed to have hurt the IRB's reputation, at least temporarily and, by inference, the reputation of Brazil's domestic insurance market.

On the positive side, however, observers feel that such energetic efforts have been made to modernise, strengthen and discipline the market—either by Government impositions or self-regulation—that troubles of the moment can be overcome. As the Brazilian public becomes more aware of the need for insurance, the market's growth potential will become almost unlimited.

The 1980s have been earmarked officially as a time for consolidating industrialisation, tackling rampant inflation and encouraging Brazilian citizens to take greater, democratic responsibility for their lives and actions, after 15 years of oppressive state tutelage. Private enterprise in insurance is an established fact, unlike the private factor in some key areas of Brazilian industry.

D.S.

Government clamp on credit facilities

CREDIT FACILITIES to the consumer have been one of the targets in the Brazilian Government's fight against inflation, and the sector which has suffered most so far is the car industry. In the past six months the maximum repayment period on hire purchase of new cars has been reduced twice: first in January from two years to 18 months, then again in May from 18 months to one year.

Car manufacturers consulted said it was still early to say how many sales would be lost as a result of these cuts, but this situation led Sr. Joseph Sanchez, president of General Motores do Brasil, to describe repayment periods as "our major concern at the moment."

There is even talk of a further cut to nine months, and since one financier estimated that well over 50 per cent of all cars and 90 per cent of lorries and buses are bought on credit, the country's vociferous automobile industry is showing its concern at the situation.

On every car bought on credit there is a down payment of 30 per cent, so that a car with a cash price of £2,800 would now cost on credit an initial £800, with 12 monthly payments of £218, bringing the final price to around £3,400.

The other alternative widely used by car buyers is the "consortium," a system organised either by the car manufacturers themselves or by independent companies. It consists of 100 people gathering together to pay for 100 cars in three years, with two or three cars being awarded each month.

One is selected by a draw, and the other one or two by auction, frequently with private bidding (i.e., each customer is invited to make a bid of what he is prepared to pay on top of his monthly contribution).

This alternative to hire purchase is popular because there is no interest, which means that the payments on the same £2,800 car are about £90 a month.

One of the drawbacks is that you may have to wait as long as three years to receive a new car. Another is that, as car prices go up, consortium contributions must increase too, since they buy only new cars. So someone lucky enough to receive their car early on, say, in 1979, may find themselves paying the list price of a 1981 model.

There has been a notable drop in purchases on credit with other goods also, as Sr. Marcel Domingos Solimeo, director of the Economics Institute of the Sao Paulo Commercial Association, was able to confirm. "The association runs a credit protection service where applications for credit can be checked against a list of non-payers, and this is a good monitor of the credit situation in Sao Paulo.

"Between April and May, we registered only a 1.1 per cent increase in the number of applications for credit, which is not even equal to the growth of the population. We expect the figures for June to paint an even gloomier picture, particularly in durable consumer goods. Between April and May, there was a 12 per cent drop in credit applications for durables."

Sr. Solimeo said: "There are basically three types of credit arrangement, all of which have been hit by restrictions. The first type is where the shop itself extends credit to the customer. In the second type, the shop recommends the customer to a financial institution, and makes itself responsible in the event of a failure to keep up with the payments.

"In the third, the institution has both a shop and extends the credit direct to the customer, without the guarantee from the shop."

The first measure to hit credit buying was the reduction, for credit arrangements with financial institutions, of the maximum repayment period on all goods except cars to nine months. Since this did not affect the shops directly, they were able to carry on extending credit, either completely out of their own funds or partly through their own financial institutions.

Where they actually have one, however, the April anti-inflation package established the maximum increase on cash prices for purchases on credit at 30 per cent. This measure is in fact directed against the repayment period more than against interest rates, since the shops have had to cut the period to make it a viable operation, with inflation for this year predicted to go over 40 per cent.

Rik Turner

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Brake on foreign borrowing

THE international commercial banking community is now feverishly re-working its sums to calculate the likely impact of this year's 50 per cent increase in OPEC oil prices on the world economy.

The major banks clearly face a replay of the recycling role they performed after 1973-74, when the first steep increase in energy prices produced balance of payments deficits in many of the industrialised and developing worlds.

While the latest round of higher oil prices does not represent such a large absolute shift of resources into the hands of the OPEC producers as in 1973-74 that period has left a large legacy of outstanding debt around the world.

This is true in the case of Brazil, whose total $42bn of foreign borrowings places it at the top of the list of the most indebted nations. In fact, Brazil is threatened by a variety of economic and monetary problems stemming from higher energy costs which, many bankers consider, gives a snapshot of the potential difficulties for many of the more advanced states in the developing world.

First, Brazil must meet its own oil-related trade deficit. In Brazil's case, latest figures suggest oil imports will cost between an estimated $6.5bn and $7bn this year, out of a total $15.5bn to $16bn of imports.

This compares with oil outlays of $4.5bn and total imports of $13.5bn in 1978, which culminated in a trade deficit of almost $1bn.

OPEC price increases have now dashed Brazil's hopes of a trade surplus or equilibrium in its trade this year, which would offset the $6.5bn current account deficit. The estimated trade deficit for 1979 is now between $1.5bn and $2bn.

Disturbing

The second danger for Brazil is more intangible, but in the long-term could be equally disturbing. Led by the U.S., the industrialised economies show signs of slowing down and even descending into economic recession in the next year.

For an advanced developing nation dependent on international economic growth for sustaining its exports of primary commodities, as well as manufactured goods, this is a grave prospect which must worry Brazil's economic planners.

Brazil has little hope of restraining its trade deficits with the Arab world, with the trade shortfall alone in Saudi Arabia amounting to $926m in the last year.

At the same time, Brazil's trade with the European Economic Community in recent years has produced a useful surplus in trade, amounting to an estimated $680m last year.

A slowdown in European economic growth—and West Germany for one appears to be deciding *that the fight against* domestic inflation caused by higher OPEC prices rather than maintaining economic activity is the correct priority—presents a bleak picture.

Brazil, with considerable foresight, has built up its foreign exchange reserves to high levels—$11.9bn at the end of 1978. This should prove a useful cushion for the country, and help defuse any immediate concern over Brazil's ability to weather the oil crisis.

Against this background, there is a grudging concession by foreign bankers that the queueing system instituted by Brazil for its borrowings in the international capital markets means that the country's new debt is marketed in an orderly and acceptable fashion.

The careful queueing for loans is in part a natural outcome of the steps taken by Brazil to limit both private and public sector borrowing overseas.

As part of an anti-inflation package last April, the Government took steps to restrict overseas borrowing by the private sector. This followed the restriction a month earlier under *which a ceiling of $3bn* was placed on foreign borrowing by State concerns in 1979.

The private sector may borrow no more than $2bn overseas in 1979, with 50 per cent of the cruzeiro value of the loans involved to be retained by the central bank until the loan is repaid.

The measure is aimed at preventing private companies, facing high borrowing interest rates domestically, from going to the foreign market, which the authorities believe contributed heavily to an inflationary inflow of $12bn in 1978.

These measures add to the impact of similar actions last November, which were designed to restrict inflows of foreign capital.

The National Monetary Council decreed late last year that the repayment terms on foreign currency loans taken by State-run or private enterprises which received Government guarantees for the credits concerned must be raised from the current minimum of five years to eight.

In the Eurocurrency markets themselves, the intense competition among international banks to manage loans has tended to camouflage the undoubted unease over Brazil's foreign debt accumulations.

In the latest transaction, the Banco Rural is raising $200m via Bank of America and Bank of Montreal, on the basis of a 10-year term at a spread of ¾ percentage points over interbank rates.

By this means, in a matter of months, Brazil has managed to reduce its foreign borrowing costs on the Euromarkets well under the key 1 percentage point level.

Brazil broke this "1 per cent" barrier in February, when Nuclebras, the State energy agency, raised $50m on the basis of a spread of ⅞ percentage points.

At a time when Eurodollar interbank interest rates—to which Eurocurrency rollover credits are linked—stand at well over 10 per cent, such reductions can mean savings of millions of dollars annually in debt-servicing costs.

Such an improvement in its debt terms is important for a country which, it is reckoned, may have to pay up to two-thirds of its export income on debt servicing.

In addition, certain Brazilian State agencies have succeeded in following the well-worn path taken by other nations in the Euromarkets and renegotiated some of their existing debt to force better terms from the lending banks.

The very size of some of Brazil's infrastructure projects provide lending banks with a powerful incentive to compete for Brazilian business, particularly where the banks are keen to support their own home industries which themselves are exporting to the country.

The Nuclebras transaction, which aroused wide criticism at the time, is considered a case in point. West Germany is closely associated with Brazil's civil nuclear power-generating programme, and the Euroloan was arranged by a prominent German bank.

Bankers argue that this characteristic will be important for Brazil in coming months. Several grandiose projects, such as the Itaipu hydro-electric scheme, will need extensive imports of equipment from the West, and the Western banks appear to have little choice but to lend further sums to aid these schemes.

But, by the end of the year, Brazil will no doubt have to publish a series of worrying economic statistics for 1979, including the out-turn of the balance of trade.

Many Brazilians have a fatalistic sense of optimism that something will always turn up to help them in an hour of need, an outlook illustrated by the saying "Deus Brasileiro" (God is a Brazilian). In coming months, such a belief may prove useful.

John Evans

Private banks under pressure

BRAZIL'S COMMERCIAL banking community is made up of about 100 banks, where, 10 years ago, there were over 300. A handful of big banks, such as the Banco Brasileiro de Desconto (Bradesco), Banco Itau and Banco Real bought out other banks, as Sr. Carlos Souza de Toledo, international operations director for Banco Itau, explained, though the days of takeovers are gone, "mergers of two successful banks are still quite possible in the next few years."

In terms of deposits, the Banco do Brasil has more than half of all Brazil's bank deposits, with Cr 125bn (£2.5bn). A distant second comes Bradesco, the country's biggest private bank, with Cr 48.8bn (£0.97bn). Next is the Banco do Estado de Sao Paulo (Banespa) which, as its name suggests, belongs to the State of Sao Paulo and handles the business of all its companies, such as the state telephone company, Telesp. Banespa has deposits of Cr 39.5bn (£0.79bn) and then Banco Real, with Cr 20.5bn (£0.41bn).

One of the main complaints of the private banking sector is that it has to compete with the Banco do Brasil and the various state banks, particularly Banespa. The Banco do Brasil has a privileged position in that it has all the resources of the Banco Central, the country's monetary authority, such as social security payments, and it has the funds from all the federal companies such as Petrobras, the petroleum company.

This, and Banespa's equally privileged position as government bank of the country's richest state, leads to unfair competition, according to private bankers.

To grow is difficult for a bank in Brazil. To open a new branch the bank must receive government permission, which is generally withheld these days, at least in major urban centres where there is already a proliferation. Permission is given nowadays for the opening of a "pioneer" branch in an outlying area where there is no bank. However, only big banks can afford to open such branches owing to the high running costs and low profitability.

Pioneer

"Bradesco is the one bank to have gone in for pioneer branches, and has benefited considerably, particularly during a period when the opening of a pioneer branch was the condition for permission to open a branch in a profitable area. Today it is the bank with the biggest branch network, with more than 1,000 branches, many of them in small towns thousands of miles from Brazil's littoral urban centres.

After Bradesco comes Itau with 800 branches, but as Sr. Toledo explained, the bank's process of expansion was different from Bradesco's.

Itau relied more on buying other banks, such as the Banco Neo-commercial whose 300 branches were incorporated into the Itau network—requiring a huge reorganisation where the two banks' branches duplicated each other.

If expansion of the branch network is now very difficult for the smaller banks, other measures have caused their situation to become even worse. Their reserve requirement (that is the amount of reserves they are obliged to leave in the hands of the Banco Central) now stands at 40 per cent.

In addition, they are obliged to apply 17 per cent of their remaining reserves in rural credit at artificially-low interest rates, and a further 6 per cent in subsidising small industry. "This leaves only 27 per cent free for application, from which the bank has to make all its profits. Thus interest rates will remain high," Sr. Toledo said. (They are presently at 62-63 per cent.) Reserves held in deposit accounts are not included in the Banco Central's requirements, but another measure this year made the minimum period for such deposits a year—and where previously banks had been attracting deposits for 60 days this has led to problems.

Some of the bigger banks have begun to open foreign branches over the past few years, particularly in countries doing a lot of business with Brazil. The Banco Real now has more than 50 branches abroad, mainly in other Latin American countries such as Uruguay and Paraguay, but also in Africa, where countries such as Nigeria and Angola are taking on a greater importance for Brazil in terms of trade links.

The Banco Itau has as yet no foreign branches, and is intending to open its first two, in New York and Buenos Aires, in 1980. Meanwhile, Sr. Toledo said: "Itau participates with 10 per cent of the £23m reserves of the Libra Bank, a consortium of banks including the Chase Manhattan, National Westminster, the West Deutsche Landesbank and Credito Italiano, set up in 1972 specifically to operate in Latin America."

On the entry of foreign banks into Brazil, at present subject to restrictive legislation, Sr. Toledo felt that it "would not be exclusively to defend the interests of the multi-nationals, as the government fears, but would in fact bring more financing for national industry as well.

As for growth of the commercial banking sector, Sr. Toledo's opinion is that there will be a slight growth this year, because "banks grow with the expansion of the means of payment, which this year will be 30 per cent.

"Of course, this is not a real growth in terms of value created, and to achieve real growth a bank will have to become more competitive in the battle for its share of the market.

Rik Turner

Early Wall St. industrial index loses 2.5

INVESTMENT DOLLAR PREMIUM
\$2.60 to £1—26¼% (27⅞%)
Effective \$2.2710 10¼% (9½%)

The stock market pointed lower in active trading because of renewed fears about the outlook for inflation and interest rates.

Analysts said investors were distressed by reports that President Carter is considering a tax cut, possibly next year.

Closing prices and market reports were not available for this edition.

They said it raised new fears about added inflationary pressures which would be likely to keep upward pressure on interest rates.

Investors continued to register disappointment with the President's energy message.

The Dow Jones industrial average lost 2½ points and declines led advances seven to five on volume of 14m shares.

RCA topped the active list, sliding ⅜ to 23⅜. The day before it reported improved second quarter net income but the results included a \$2m extraordinary gain.

IBM, in second place, slipped ¾ to 69¾ after a better showing than the day before. **Congoleum** eased ⅜ to 31⅛. It surged seven points on news that a newly formed company proposed to buy Congoleum for \$38 a share.

Kaiser Aluminum added ⅛ to 18⅛. It plans an equal partnership in aluminum production in Europe with **Estel Mijmegen** of the Netherlands.

McDonnell Douglas lost one to 24¾. The federal aviation administration said McDonnell's DC-10 may need design changes. Active **Occidental Petroleum** added ⅛ to 24⅞. Its second quarter net rise.

Honeywell dropped 1⅞ to 68⅝ in spite of raising the quarterly dividend 10 cents to 65 cents a share. **Citicorp** eased ⅜ to 24⅛ after reporting a fall in second quarter profits.

American stock exchange *prices were mixed in moderate* trading. The index added 0.41 to 197.59 but losers led winners nearly four to three on volume of 2.16m shares.

Volume leader **Husky Oil** rose ⅝ to 50⅞. A block of 111,000 shares traded at 51. Husky and **Cyprus Anvil Mining** announced a lead-zinc-silver discovery in British Columbia.

Pato Consolidated added 1 to 14⅞. Directors backed an offer from **Pacific Holding** to buy the Pato shares it does not control for \$16.25 each. **Remington Arms** jumped \$3⅞ to \$19¼. **Du Pont** will buy the 30 per cent **Remington** it does not own for stock.

Canada

Share prices were higher in moderate trading as the composite index rose about 1½ points and all leading indicators advanced.

Paper issues rose as **Macmillan Bloedel** rose ⅛ to 26¾, while **Domtar** at 25¾ and **Consolidated Bathurst "A"** at 13⅞ added ⅛. **Abitibi Paper**, which reported higher earnings, gained ⅜.

Utilities were higher as **Transcanada Pipe** rose ⅛ to 22¼, **Bell Canada** ⅜ to 21⅜ and **Westcoast Transmission** ⅛ to 14⅞.

Among Oils, **Dome Petroleum** rose 1¼ to 46¼, **Imperial Oil "A"** ⅝ to 36¼ and **Gulf Canada** ¼ to 55⅞.

Volume was 293,205 shares compared with 137,049 the day before.

In Toronto the market continued to recover from last week's broad decline as the composite index rose 10.3 to 1,561.9 in fairly active trading. Advances led declines by more than two to one.

Dome Petroleum, the most *active issue on 101,113 shares*, rose 1¾ to 46⅞. **Mesa Petroleum** will sell Dome its Canadian oil and gas properties and related facilities.

Abitibi Paper, which reported higher earnings, rose ⅛ to 18.

Reflecting a record London fix, Gold Issues were on the upside as **Dome Mines** gained 1¼ to 44½, while **Kerr Addison** at 10¾ and **Giant Yellowknife** at 10⅞ added ¼.

Among Oils, **Husky Oil** rose 1⅜ to 59, **Amalgamated Bonanza** one to 20⅜ and **Imperial Oil "A"** ¼ to 36½.

Volume was 2,293,501 shares compared with 1,658,182 in the previous session.

Germany

Most leading shares firmed in Frankfurt on average turnover, Bourse sources said.

Veba lost DM 2.30, while chemicals all firmed, and in autos **VW** gained DM 3. **BMW** firmed and **Daimler** eased 50 pfennigs.

Banks were stronger. In electricals **AEG** eased and **Siemens** gained DM 1.70, while elsewhere **Preussag** lost DM 4 and **Horten** led stores DM 3 higher.

On the domestic bond market public authority loans rose up *to 30 pfennigs, and in one case* by as much as 60.

The Bundesbank was able to sell DM 80.6m of paper in open-market operations after sales of DM 79.7m the day before.

Mark-denominated foreign loans were steady.

Paris

Share prices were steady to firmer in quiet trading, dealers said. Of 44 shares quoted, 25 were higher, 12 lower and seven unchanged.

Australia

The market closed firmer with the largest gains among mining stocks, and President Carter's energy speech boosted gold and uranium shares, dealers said.

Central Norseman Gold rose A\$1 to A\$33, **Poseidon** 7 cents to A\$1.01, **GMK** 7 cents to A\$1.55 and **Bougainville Copper**, on its gold interests, 3 cents to A\$1.95.

With silver and gold prices higher, **MIM** finished 5 cents ahead at A\$3.20, while **Kathleen Investments** rose 15 cents to A\$4.15, **Pan Continental** 30 cents to A\$14.40, **Queensland Mines** 10 cents to A\$3.90 and **Western Mining**, 7 cents to A\$2.51.

In Melbourne stock prices closed firmer with mining, gold, uranium and diamond shares all rising as a result of President Carter's energy speech, dealers said.

Kathleen Investments rose 10 cents to A\$4.15, **Pan Continental** 30 cents to A\$14.50, **Queensland** *Mines 10 cents to A\$3.90 and* **Peko** 6 cents to A\$5.52.

Western Mining firmed 6 cents to A\$2.50, while **Central Norseman** rose A\$1 to A\$33, **Poseidon** 6 cents to A\$1, and **GMK** 10 cents *to* A\$1.55, with **Bougainville Copper** up a cent to A\$1.96 and **MIN** 7 cents to A\$3.22.

Tokyo

Pharmaceuticals, and export-orientated electricals and vehicles closed generally lower with **Sony** falling Y30 to Y1,850, **Matsushita Electric** Y11 to Y632, **Toyota Motor** Y5 to Y850 and **Honda Motor** Y5 to Y521.

On the other hand, stainless steels rose reflecting increased *domestic demand.* **Hitachi** also rose Y3 to Y236 on good earning prospects.

The second market closed higher with volume 7.5m shares.

Hong Kong

Stock prices closed higher on the back of property shares, boosted by unconfirmed reports that the Government bought a residential block from **New World Development Company**, dealers said.

The Hang Seng index rose 2.55 to 551.54 but buying was selective and volume thin.

New World rose 12.5 cents to HK\$2.15, **Sun Hung Kai Properties** 40 to HK\$10.60, **Cheung Kong** 60 to HK\$12.80, **HK Hotels** 10 to HK\$18.00, while **HK Land** remained unchanged at HK\$7.25.

Hang Seng Bank rose 50 to HK\$77.50, **China Engineers** 2.5 to HK\$4.025 and **China Light** 10 to HK\$20.40.

Brussels

Belgian share prices closed mixed in moderate trading with no new factors influencing the market, Bourse sources said.

Intercom, **Vieille Montagne**, **Tessenderloo** and **Cometra** all rose, while **Union Miniere**, **Wagons Lits**, **Socfin** and **Finoutremer** fell. Gold mines were firm.

Among foreign stocks, UK were higher, Dutch lower, Canadian and French little changed and U.S. mixed. **Petrofina** and **American Petrofina** rose but **Canadian Petrofina** was lower.

Amsterdam

Share prices closed mixed with **Royal Dutch** 1.90 lower and **Unilever** and **Akzo** Fl. 0.80 *and* Fl. 1.20 higher respectively, in **Dutch internationals**, dealers said.

Johannesburg

Gold shares were harder in active trading in line with record bullion prices, dealers said.

NEW YORK

Stock	July 16	July 13
Abbotts Lab	33⅝	33¼
AM International	15⅞	15½
Adobe Oil & Gas	31¼	31¼
Aetna Life & Ga.	32	31⅞
Air Products	33⅛	32
Alcan Aluminium	33½	33⅝
Alcoa	51½	51¼
Alleg. Ludium	19⅝	19½
Allegheny Power	17⅞	17⅞

Stock	July 16	July 13
Control Data	41⅞	41½
Cooper Indus.	55¼	55
Corning Glass	59¾	59¼
CPC Int'rnation'l	52⅛	52
Crane Co.	30⅛	29⅞
Crocker Natl.	31⅛	30⅞
Crown Zellerb'h.	35⅝	35⅛
Cummins Engine	35⅜	35⅞
Curtiss Wright	15½	15¼
Dana	27½	27¼
Dart Industries	44¾	44⅝

Stock	July 16	July 13
Johns Manville	25⅛	24⅞
Johnson Johnson	71¾	72
Johnson Control.	28⅛	27
Jostens	19⅝	19⅝
Joy Manufacturg	34½	31½
K. Mart	25⅝	25¾
Kaiser Alumini'm	17⅝	18
Kaiser Industries	2⅛	2⅛
Kaiser Steel	56⅞	56¾
Kaneb Services	18¾	18⅞
Kay	14⅛	14⅜

Stock	July 16	July 13
Revlon	48⅛	47¼
Reynolds Metals	34⅝	33¾
Reynolds (R.J.)	58⅞	59⅛
Rich'son Merrell	22	21¾
Rockwell Inter.	36⅝	36¾
Rohm & Haas	40½	39½
Royal Dutch	72⅞	73¼
RTE	10⅞	10¾
Ross Togs	9⅞	10
Ryder System	19⅞	20⅛
Safeway Stores	37¾	37¾

Stock	July 16	July 13
Williams Co.	21⅜	21
Wsconsin Elect.	26⅛	26¼
Woolworth	24⅞	25
Wyly	5⅜	5⅞
Xerox	61⅜	61⅝
Zapata	19	18¾
Zenith Radio	12⅛	12⅝
U.S. Treas.4%'80	†97	†97
USTreas4¼%75/85	†84⅞	†84⅞
U.S. 90-day bills	9.32%	9.29%

Stock	July 16	July 13
W'stinghse Elec.	20	20
Weyerhaeuser	29	28⅞
Whirlpool	21	20¾
White Con. Ind	26⅝	26¾
West Coast Trans	14⅜	14¼
Weston (Geo.)	25⅜	24½

† Bid. ‡ Asked. § Traded. ‖ New stock.

CANADA

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS 4010

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Banks Ltd.	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½ %
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
Canada Perm't Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	14 %
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
Credit Lyonnais	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
English Transcont.	14 %
First Nat. Fin. Corp.	15½ %
First Nat. Secs. Ltd.	15½ %
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	14½ %
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½ %
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	15 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½ %
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12%, and over £25,000 12¾%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
Φ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. ‡ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. A Interim since increased.

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

JOHANNESBURG

MONDAY'S ACTIVE STOCKS

GERMANY ◆

TOKYO ¶

AUSTRALIA

STOCKHOLM

OSLO

JOHANNESBURG

BRUSSELS/LUXEMBOURG

AMSTERDAM

SWITZERLAND ♦

PARIS

COPENHAGEN ♣

MILAN

VIENNA

SPAIN ♥

BRAZIL

Financial Rand U.S.\$0.87 (Discount of 24¼%)

هكذا من الأجل

COMMODITIES and AGRICULTURE

New Brazil frost boosts coffee

BY RICHARD MOONEY

NEWS OF a fresh outbreak of frost in Brazil's coffee growing regions boosted prices sharply in the London futures market yesterday.

The September position leapt over £90 a tonne to reach £1,930 in early afternoon and was still £42.5 up at £1,882 a tonne when trading closed, despite late selling.

Local reports said Monday night's frost appeared to have done little damage, being light and mainly concentrated on low-lying areas. But local trade sources said the sky remained clear yesterday, giving rise to fears that further frosts could occur overnight.

The National Weather Department issued a frost warning for last night covering parts of Minas Gerais, the tropical area which was worst hit in the May-June frost outbreak.

Some traders thought rumours that Brazil planned to halt for a year sales from official coffee stocks, standing at 7.4m bags of 60 kilos, had encouraged the rise earlier on. But others said such a move would be a natural extension of the suspension of export registrations announced on Monday, and would therefore have little effect on market sentiment.

In Rio de Janeiro meanwhile, the Brazilian Coffee Institute said any future decisions on Brazil's coffee sales policy would be largely dependent on world price stability. The country's sales position through to September is "fully satisfactory" the IBC added.

The Institute blamed the recent fall in coffee prices, which took the September futures quotation down to £1,755 a tonne at one stage on Monday, on speculative selling which did not "reflect the effective market situation."

The physical balance of supply and demand pointed to a stable trend after the adjustments following the May-June frost, the IBC said.

Copper leads sharp metal market rally

BY OUR COMMODITIES STAFF

COPPER LEAD a sharp rally in London Metal Exchange price levels yesterday. After falling over £30 in the last two trading days cash copper wirebars regained £12.75 to £795.75 a tonne.

Cash lead gained £12.5 to £588.5 a tonne and cash zinc £16.25 to £318 a tonne. Only tin bucked the trend with cash metal falling £75 to £7,150 a tonne.

Traders said copper was boosted by continued strength of gold which rose to a new all-time peak. They said this factor outweighed the effects of the rise in sterling and encouraged operators to cover against earlier "short" sales.

"Shortcovering" was also the major influence in the rise in the lead price. Dealers said the market had become oversold in the recent shake-out, which wiped over £160 off the price in little over a week.

They also noted some West German inquiry for three months lead and unconfirmed reports that Soviet demand had been attracted by the lower price levels.

The zinc price rose on the back of copper and lead before easing somewhat in the afternoon reflecting a two cents a pound price cut by Bunker Hill, the U.S. producer.

The Penang tin price fell another 9 ringgitt to 1,961 ringgit a picul overnight and this was reflected in lower opening levels on the LME. The market was further depressed by the strength of the pound and caution ahead of the International Tin Council meeting which began in London yesterday.

In Lima, a labour spokesman said the majority of Peru's 40,000 miners are expected to stop work tomorrow in response to a call for a 24-hour general strike in protest at recent retail price increases, reports Reuter.

The miners are also demanding the reinstatement of 194 union leaders sacked from the U.S.-owned Toquepala and Cuajone copper mines during a two-week strike earlier this year.

UNIGATE TAKEOVER BID

A wise and timely move

BY CHRISTOPHER PARKES

ALL THINGS considered the Milk Marketing Board's takeover of 16 of Unigate's creameries is probably a wise and timely move. If the deal goes through the Board will become the biggest milk processor in the country, handling some 26 per cent of all the output from dairy farms in England and Wales.

On the face of it there is room for considerable doubt about the wisdom of the move. The butter and cheese markets in Britain are in a mess and have been in dire straits for two years and more.

The butter business is ferociously competitive. Stocks are high, prices are low, and consumption — at least before the introduction of the latest EEC consumer subsidy — has been falling for the past four years.

The cheese industry suffers from over-capacity and is also under pressure from exports from elsewhere in the Community. To add to its difficulties, access for significant amounts of cheddar from New Zealand has just been negotiated in the General Agreement on Tariffs and Trade.

The skimmed milk powder trade (smp is the dried by-product of butter) has become almost totally institutionalised — for want of a better word.

Almost all the EEC's extensive output of this expensive *protein product is sold through* the good offices of, and with vast subsidies from, the European Commission, mainly for animal feed and food aid. Because there are so few truly commercial markets for this product its future and its profitability lie largely in the hands of European politicians and can be considered insecure.

But for all the doubts, there was a danger that without rapid expansion of its own facilities or a takeover of the kind now under way, the British milk producing industry was soon going to find itself short of manufacturing capacity.

Milk production in Britain is expanding rapidly, and Government policy is firmly behind continued growth. At the same time, however, consumption of liquid milk in tea, coffee, on cereals and *au naturel* is declining. And while considerable efforts are being made to keep doorstep deliveries up to scratch, staff and transport difficulties have forced many distributors to limit their deliveries. This, too, is leading to a drop in sales. Supermarkets are said to be taking a growing share of the market, but their expansion is not so far compensating for the losses incurred in the more traditional distributive industries.

As a consequence, more milk is being pumped into the processing business. Mr. Steve Roberts, chairman of the Milk Marketing Board, referred to this "outstanding and fundamental change" in his address to the annual meeting of the *board in London yesterday.*

This year, for the first time in the MMB's history, he said, milk for manufacture may well exceed sales to the liquid market. "This means of course that we rely increasingly on markets which are intensely competitive, in which returns are dependent on marketing strategy," he said.

Liquid milk, once the main provider of the dairy industry, is rapidly become something of a poor relation.

And there are more threats hovering. The European Court of Justice last week ruled that Britain was justified in maintaining what amounts to a ban on milk imports from Continental Europe. But that ruling appears to apply only until the end of the year. Mr. Roberts, aware of the dangers, noted: "The day cannot be far off when trade barriers will be dismantled by the EEC health and hygiene directives."

Present trends and future dangers all point to a greater diversion of milk into the creameries. But the commercial companies who at the moment process some 90 per cent of all milk output have been distinctly reluctant to expand their capacity.

Shortly after Britain joined the EEC and the prospect dawned that New Zealand was to be blocked out of the UK cheese market, they invested millions in new cheddar factories—and so did creameries in France and Holland. The expected bonanza never materialised and they are still *suffering badly burned fingers.*

Also attractive was the prospect of EEC-scale prices for butter, generally about two to three time world market levels. But again the reality was disappointing, and all European manufacturers have been thrown together into a cut-throat battle for dominance in our shrinking market.

In theory it should be possible to sell butter at top prices through the "ever-open" doors of the Community's intervention warehouses. But in practice political involvement in the mountain-building scandals has ensured that the doors are seldom more than slightly ajar.

Mr. Roberts again: "The Board also had to face the fact that Unigate has become less enthusiastic over financing the new capacity that we need over the next few years to handle the growing volume of manufacturing milk."

In the event, it can be seen that the Milk Board had little alternative to its new venture. It still has to run the gauntlet of the Monopolies Commission and also the hawks in the competition department of the EEC Commission in Brussels, but if the deal goes through it faces a much tougher challenge in the rough and tumble of the dairy products market.

The Board is an acknowledged leader in the processing business, but its reputation in product marketing is shaky, and in its new enterprise this farmers' co-operative will be up against some of the toughest competi*tion in the food industry. It is* to be hoped that its managers can make a better fist of it than others like the farmer-controlled FMC meat empire has managed to date.

Rapid surge in rubber forecast

BY CHRISTOPHER PARKES

THE SPOT PRICE of natural rubber could soar by 15p a kilo in the coming months, and synthetics, which have already gone up 10 per cent recently, face another surge of 15 per cent, the Economist Intelligence Unit predicts in its latest study of the market.

Even though growth in consumption will be slowed, output too, will be limited.

The unit says world production of natural rubber will rise only 1.6 per cent this year and output of synthetics will be hit by the reduction in oil extraction.

Natural rubber producers will be unable to step up their sales in the short term because many plantation owners have switched recently into palm oil and other more profitable crops.

Growth in consumption will be affected mainly by the world downturn in sales of motor car tyres, particularly in the U.S. Last year, for example, U.S. demand for rubber fell 100,000 tonnes. In the UK tyre sales were reduced 10 per cent.

On balance, the report says, total demand will fall 2 per cent this year. But in spite of this, supplies will still fall far short of needs.

Consumption of natural rubber is forecast to exceed supply by about 30,000 tonnes while the gap for synthetics could be at least 25,000 tonnes.

The unit concludes that the recent 10 per cent rises in synthetic prices were not enough to cover feedstock costs and that more will be needed shortly.

"On current forecasts, it is possible that the spot price of RSS No. 1 will move up to 75p per kilo and other grades of natural rubber are likely to follow suit in the coming months," it adds.

Call for U.S. to negotiate grain pact with China

WASHINGTON—The U.S. should adopt a grain supply agreement with China and negotiate an extension of the supply pact with the USSR rather than use the proposed standby prior approval system for grain and oilseed exports, Mr. Richard Bell, former assistant U.S. Agriculture Secretary, told the University of Missouri yesterday.

He said the proposal by Continental Grain company vice president, Mr. Clarence Palmby, for a standby prior approval system would represent a major shift in U.S. grain export policy. The present policy was basically a free-market approach, except for the five-year, U.S.-USSR pact, he said.

In the past few years this policy had provided some protection for consumers and helped grain farmers by not restricting grain exports.

The U.S. needed a similar deal with China to ensure that its purchases would not disrupt the U.S. market, and to assure that China would be a steady, regular buyer of U.S. grain rather than having the U.S. as a residual supplier.

"The Chinese could be given the option of buying a maximum of 60 per cent of either grain without prior consultation as well as an option of buying an additional 3m tonnes without consultation if U.S. total grain supplies are estimated by USDA to exceed a specified level—255m tonnes, for example," he said.

He also urged the U.S. to negotiate an updated grain supply agreement with the USSR to include higher minimum purchases and that talks should begin soon for an extension of the pact.

The USDA projected meanwhile that total imports of wheat and coarse grains by China in 1979-80 year, beginning July 1, would reach 10.5m tonnes. This compared with a previous estimate of 10m tonnes with generally favourable worldwide crop conditions and 16m with unfavourable conditions.

Imports in 1978-79 are estimated at 11.9m tonnes, against 8.7m in 1977-78.

Total USSR wheat and coarse grain imports in 1979-80 are projected at 30m tonnes compared with the previous estimate of 21m with favourable and 28m with unfavourable world crop conditions, the USDA said. This compared with 23.4m in the year ended June 30 and 22.7m a year ago.

Reuter

Higher margins hit milk sales

RECENT SUBSTANTIAL increases in trade margins on milk have cut into producers' prices and reduced sales, Mr. Steve Roberts, chairman, told the Milk Marketing Board's annual meeting in London yesterday.

But he warned that milk producers had to be prepared to accept this cost if they wanted to maintain doorstep deliveries and the high level of liquid milk sales which depend on this form of distribution.

"The system will not be maintained unless the capital invested in it is reasonably remunerated," he said.

The distribution margin on milk is now 45 er cent of the retail price, 3 per cent more than last year, and 8 points higher than in 1970.

Mr. Roberts added that he believed in the future markets for dairy products like butter and cheese should stabilise.

"As far as we are concerned 1978-79 has been a year in which we have been working off the delayed effects of the transitional steps to the full Community system," he said.

Speculation against "green pound" adjustments, the new butter subsidy and the introduction of metric packaging had caused chaos.

The agreement to buy 16 creameries from Unigate would help the Board to plan more effectively the development of the industry.

This would undoubtedly bring about economies which were vital in the EEC marketing system where producer prices were dependent on returns from the manufactured products.

British dairy processing had been handicapped by its fragmentation while elsewhere in Europe large units dominated.

An Bord Bainne handled all Irish butter sold in Britain and most of the cheese. Dutch co-operatives had recently merged into bigger units and in France, a mammoth group had been formed by the linking of Union Laitière Normande and Préval.

West German cocoa use up

WEST GERMAN cocoa bean grindings rose 0.3 per cent to 34,819 tonnes in the second quarter 1979, from 34,724 tonnes a year ago, the German Confectionery Association announced in Bonn yesterday.

This followed a 5.5 per cent fall in the first quarter to 37,592 tonnes from 39,770 tonnes in January-March 1978.

Hamburg market traders told Reuter the slight increase was widely expected. German traders had forecast unchanged to slightly higher grindings, they said, and the market hardly reacted to the news.

BRITISH COMMODITY MARKETS

BASE METALS

COFFEE

Following further reports of declining temperatures in Brazil coffee growing regions Robustas advanced gradually through the steady morning session reported Drexel. During an active afternoon prices fluctuated erratically but tended easier after reaching the highs

SILVER

COCOA

GRAINS

SOYABEAN MEAL

SUGAR

WOOL FUTURES

RUBBER

COTTON

MEAT/VEGETABLES

PRICE CHANGES

In tonnes unless otherwise stated.

AMERICAN MARKETS

NEW YORK, July 17.

LIMIT GAINS in silver lent considerable strength to soyabeans and the grains. In addition, persistent buying of soya oil by commercial and export interests also helped to advance the markets to higher levels. Gold has continued its strong advance despite some profit-taking.

EUROPEAN MARKETS

INDICES

FINANCIAL TIMES

DOW JONES

MOODY'S

REUTERS

Soaring pound stimulates buoyant to firm conditions in all market sectors particularly Gilts and Golds

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 18	Jun. 28	Jun. 29	July 10
July 2	July 12	July 13	July 24
July 16	July 26	July 27	Aug. 7
July 30	Aug. 9	Aug. 10	Aug. 21

* "New time" dealings may take place from 9.30 am two business days earlier.

Stock markets were featured yesterday by buoyant to firm conditions in all its three main sectors following further marked strength in the pound and renewed weakness in the U.S. dollar. Overseas interest of substantial proportions in sterling spilled over into Government stocks; leading equities forged higher with a small demand impinging on underlying stock shortage, while foreign investment on the back of the soaring bullion price benefited Gold shares.

For a while, the rise in Gilt-edged securities was checked by the Government broker selling, at 42¼, supplies which he had taken in recently of the £40-paid Exchequer 12¼ per cent "A" 1999. When the sales ceased, this stock rose quickly and in trade after the official close touched 43⅞ before settling a net 1½ points up at 43⅞. Stock generally became scarce at the higher levels and remaining longs reflected the situation with rises of a point and more.

Despite the imminence of a new tap stock, dealings in Exchequer 3 per cent 1984 begin on Friday, the shorts also made headway with existing low-coupons such as Exchequer 3 per cent 1981 prominent again; this issue gained ⅛ to 90⅛ along with Treasury 3 per cent 1982, at 88½.

Trading in leading shares was thin and many gains were exaggerated by a squeeze on bear positions, although the background news, particularly the large underlying deficit on the UK's current account balance, might well have caused values to fall. Even the major exporting concerns shared in the upturn and the FT 30-share index went progressively higher to close 7.3 up at the day's best of 478.0.

Stock shortage also assisted the strong advance made by South African Gold shares. Overseas *enthusiasm was aroused by* the bullion price upsurge and the fall in the dollar, a combination which led to the heavier-priced issues rising nearly £1.50.

Sterling's strength made little impact on rates for investment currency. The volume of business was again good and the premium rose to 28 per cent before easing late to close a net ¾ lower at 26¾ per cent; the effective rate, however, was higher at 10¾ per cent, after a peak earlier in the session of 11¼ per cent. Yesterday's SE conversion factor was 0.8997 (0.9127).

Wintrust rise

A slightly increased level of activity in Traded options was reflected in the number of contracts rising to 387. BP and GEC were lively, recording 80 and 60 deals respectively.

Arrow Chemicals, formerly Reabrook Investment Trust, staged a satisfactory debut and, from an opening level of 60p, progressed to 74p before closing at 73p.

Wintrust stood out in banks with a rise of 10 to 95p on buying in front of today's preliminary results. Elsewhere, the major clearers continued firmly with Lloyds a further 3 dearer at 350p. Adverse comment on the gloomy interim statement prompted a fresh reaction of 5 to 245p in Alexanders and unsettled other Discounts. Allen Harvey and Ross dipped 10 to 370p, Union relinquished 5 to 370p, while Jessel Toynbee, 68p, and Smith St. Aubyn, 100p, gave up 4 apiece.

Insurances displayed a firmer bias. Lloyds Brokers moved higher with Alexander Howden 3 higher at 83p and Christopher Moran, recently dull on adverse comment, closing 2 to the good at 34p. Despite the disclosure that three directors have been suspended from all executive duties, Brentnall Beard held steady at 16p, while Hogg Robinson ended unaltered at 94p *following the results.* Royals, 10 better at 340p, led Composites into higher ground.

Breweries moved slightly higher, more on sympathy than on business. Allied gained 3 to 90½p. Belhaven, annual results due August 3, improved 3 more to 48p, while increased annual profits helped London brewers Fuller Smith and Turner to rise 5 to 395p. Highland Distilleries new nil-paid continued to attract interest and rose 2 for a three-day gain of 6 to 10p premium, while Distillers hardened 3 to 220p in front of tomorrow's preliminary results. Amalgamated Distilled Products remained a good market, closing 3 better at 63p, while Sandeman, helped by rumours of a devaluation of the peseta, improved 8 to 90p. Irish Distillers, on the other hand, fell 8 more to 160p on currency influences.

Magnet and Southerns featured Building descriptions with a rise of 16 to 188p, after 190p, in response to the excellent annual profits and proposed 50 per cent scrip issue. Other Timbers moved up in sympathy with Parker advancing 9 to 176p and Phoenix 7 to 132p, the latter in a thin market. Buying in a thin market resulted in a gain of 10 to 180p in Derek Crouch, while scattered support lifted Taylor Woodrow 7 to 360p. H.A.T. improved 1½ to 30p following the annual results. BPB revived with a gain of 6 to 309p and Blue Circle put on 4 to 262p.

ICI firmed 6 for a two-day gain of 17 to 340p in a relatively small trade. Elsewhere in Chemicals, better-than-expected annual profits prompted a gain of 10 to 104p in Allied Colloids, while recently dull Yorkshire picked up 4 to 60p.

Gussies good

Encouraged by the buoyant retail sales figures for June, buyers came for leading Stores. *Gussies "A" were particularly* favoured and closed 12 higher at 372p with sentiment additionally helped by Press forecasts of bumper preliminary profits when the group reports tomorrow. W. H. Smith "A" added 7 to 185p while UDS firmed 3 to 99p and Marks and Spencer put on 2 to 115p. Elsewhere, demand in a thin market *ahead of Friday's annual figures* prompted a rise of 14 to 86p in Wallis. Ratners put on 4 more to 113p on further consideration of the favourable results and proposed 50 per cent scrip issue and still reflecting an investment recommendation. R. and J. Pullmann put on 4 to 106p. In belated response to Press comment which highlighted the company's property assets, Stylo Shoes jumped 13 to 149p, after 151p, while the new nil-paid shares advanced 15 to 42p premium.

A noticeable revival of buying interest developed in the Electrical sector, particularly in some of the recent second-line favourites. Eurotherm staged a useful rally after last week's sharp setback on the disappointing interim results and regained 8 to 308p. Renewed support lifted Sound Diffusion new 7 to 69p premium, with the Old a similar amount higher at 129p. Electrocomponents advanced 13 to 453p and MK Electric, an old bid chestnut, moved up 9 to 245p. Kode improved 6 to 218p, while rises of a similar amount were marked against Automated Security, 146p, and Unitech, 200p. Dewhurst and Partner "A" firmed 1½ more to 17p in response to the increased interim dividend and profits, while BICC hardened 2 to 122p helped by news of the negotiations to buy Vero Electronics, a private company. Among the leaders, fresh demand was shown for GEC, 7 to the good at 362p, and Thorn, 8 higher at 414p.

Scattered buying interest lifted Tubes 8 to 350p and Hawker 6 to 196p in lack-lustre Engineering leaders. Elsewhere, Birmingham Mint became a good market at 163p, up 5, in response to the preliminary results, while Startrite featured in the late dealings with a rise of 11 to 170p on the capital proposals. By way of contrast, poor annual results prompted a reaction of 4 to 85p *in Peter Brotherhood.*

Interest in Foods centred mainly on Unigate which resumed dealings at 90p with a close of 93p, compared with Tuesday's price at suspension of 82p, following the better-than-expected annual results and the net £43m deal for the sale of 16 of its creameries to the Milk Marketing Board. Elsewhere, Associated Dairies became a firm feature, at 270p, up 17, while speculative counter Spillers gained 2½ to 42p and RHM improved 1½ to 46p.

Down 12 on Monday on the refusal of licences for four of its London casinos, Ladbroke slipped to 171p before a late rally left the price unchanged on balance at 175p.

Beecham firm

Miscellaneous industrial leaders took their cue from a firm gilt-edged market and closed with improvements ranging to 11. Beecham closed that much better at 544p and Unilever rose 8 to 534p, while Turner and Newall advanced 6 to 132p. Glaxo firmed 5 to 450p as did Pilkington, to 317p. Second thoughts about the interim results, however, caused Rank Organisation, at 218p, to lose 4 of the previous day's rise of 11. Elsewhere, Fairbairn Lawson, at 28p, retrieved 3 of the recent fall which followed news that publication of the 1978 annual report had been postponed for another 6 weeks. Further consideration of the results prompted a rally of 6 to 158p in Vinten, while rises of 5 were recorded in Hays Wharf, 145p, and Huntleigh, 79p.

Motor sectors held firm although actual business was slight. Dorada came in for limited support, 6 up at 68p, while Tate of Leeds, 100p, and Godfrey Davis, 117p, added 3 and 2 respectively. Heron, a good market of late, held at 55p following the 15 per cent increase in profits. Buyers returned for ERF, 8 better at 107p while, among Components, Dowty put on 9 to 303p in front of annual results due tomorrow.

Hopes of lower interest rates encouraged a useful demand for Properties which registered widespread gains. In the leaders, Land Securities firmed 6 to 302p, while MEPC added 3 to 182p and Great Portland Estates advanced 10 to 320p. Buying ahead of annual results due tomorrow helped Haslemere rise 8 to 320p and Allnatt improve 10 to 330p. British Land were favoured at 77½p, up 2½, while gains of around 6 were marked against Brixton Estate, 155p, Rush and Tompkins, 141p, and Berkeley Hambro, 188p. Renewed demand lifted Hammerson *"A" 15 to 850p, while* speculative counters Bernard Sunley and Trafford Park Estates added 4 apiece to 388p and 147p respectively.

Oil shares moved against the generally firm trend, occasional selling and lack of support leaving the majority of prices a few pence lower at the close. British Petroleum eased 5 to 1250p and Shell 4 to 360p in the leaders. Oil Exploration, at 332p, gave up 6 following the previous day's late speculative flurry.

Stimulated afresh by the rise in charter tanker rates to their highest for six years, Shippings enjoyed a firm and active day's trade. Furness Withy advanced 10 further to 291p and Hunting Gibson 7 more to 282p, while P and O Deferred, 103p, and Ocean Transport, 100½p, improved 3 and 2 respectively.

Among Financial Trusts, Yule Catto moved up 8 to 95p on good interim results, while London Merchant Securities revived with a rise of 4 to 109p.

Textiles closed firmer where altered. Courtaulds rose 3 to 91p, while Tricoville continued the recent recovery, adding 6 to 82p, a two-day gain of 10. Trafford Carpet held at 32p following the annual statement.

Among Tobaccos, Imperial put on a couple of pence to 94p, while Bats issues were also firm, the Ordinary closing 8 to the good at 275p with the Deferred 5 better at 260p.

Golds sharply higher

A fresh burst of strength in the bullion price — finally $5 better at a record close of $297.875 an ounce in front of last night's U.S. Treasury gold auction — prompted widespread and heavy buying of South African Golds. The Gold Mines index put on 11.1 to 171.7 and the ex-premium index 7.9 to 154.5.

Prices moved ahead strongly from the outset with overnight American buying being followed by heavy demand from Johannesburg and the Continent. After a slight pause around the opening of Wall Street, renewed U.S. interest pushed prices up further and they closed at or around the day's best levels.

Among the heavyweights, rises of a point and more were common to Randfontein, £27⅞, Vaal Reefs, £16¾, and West Driefontein, £23¼, while Hartebeest added ¾ at £15¼.

South African Financials advanced in sympathy with Golds. A full point higher were "Amgold" and GFSA, at £18¾ and £18 respectively, while Anglo American climbed 19 to 350p and Union Corporation put on a similar amount at 346p.

Platinums also responded to a strong overseas demand which left Rustenburg and Impala 6 better at 121p and 162p respectively. Gold Fields were prominent in London-registered Financials with a rise of 10 to 225p.

A marginally firmer trend in overnight domestic markets [illegible]

LONDON TRADED OPTIONS

Option	Ex'rc'se price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	950	305	—	325	1	—	—	1215p
BP	1200	56	—	105	25	143	—	"
BP	1300	5	26	48	11	98	17	"
Cons. Gold	220	6	53	21	—	34	—	225p
Courtaulds	90	1½	1	6½	25	9	—	89p
Courtaulds	100	½	—	3	—	5½	5	"
Courtaulds	110	¼	—	1½	—	3½	7	"
GEC	360	6	5	32	5	49	—	361p
GEC	460	¼	40	4	10	17	—	"
Grand Met.	128	16	3	22	—	29	—	144p
Grand Met.	138	6	20	15½	—	23	—	"
Grand Met.	158	½	—	6½	—	12	1	"
ICI	330	9	—	25	—	31	2	337p
ICI	360	½	—	9	7	18	1	"
Land Secs.	280	21	5	36	—	44	—	300p
Land Secs.	300	5½	—	23	2	35	—	"
Marks & Sp.	90	25	56	29	—	—	—	115p
Marks & Sp.	110	6	3	14	—	17	—	"
Shell	350	12	9	26	—	32	1	361p
Shell	375	3	—	14	2	23	—	"
Shell	400	½	24	8	3	15	5	"
Totals			242		91		39	
		August		November		February		
BOC Intl.	80	2	4	4	—	8	—	75p
Boots	220	2	4	7	—	11	—	197p
EMI	120	2	—	6	—	15	4	104p
RTZ	300	4	3	16	—	22	—	268p
Totals			11		—		4	

FINANCIAL TIMES STOCK INDICES

	July 17	July 16	July 13	July 12	July 11	July 10	A year ago
Government Secs.	73.05	72.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	74.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Industrial	478.0	470.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	171.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines (Ex-$ pm)	154.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earnings, Yld. % (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E Ratio (net) (*)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity turnover £m	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity bargains total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

10 am 471.1. 11 am 471.9. Noon 474.1. 1 pm 475.4. 2 pm 476.4. 3 pm 476.8.

Latest Index 01-246 8026.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ premium index started June, 1972. SE Activity, July-Dec. 1942.

HIGHS AND LOWS / S.E. ACTIVITY

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Int.	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Ord.	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines (Ex-$pm)	[illegible]	[illegible]	[illegible]	[illegible]

OPTIONS

DEALING DATES

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
July 10	July 23	Oct. 4	Oct. 16
July 24	Aug. 6	Oct. 18	Oct. 30
Aug. 7	Aug. 20	Nov. 1	Nov. 13

For rate indications see end of Share Information Service

Active trading in the Option market resulted in calls being done in Cons. Gold Fields, De Beers Dfd., Fairbairn Lawson, [illegible] Stocklake, Burmah, Spillers, Racal, London Brick, William Press, Town and City, Ladbroke, Rustenburg Plat., Wankie Colliery, [illegible] ... doubles were arranged in ... Grootvlei, British Land, [illegible] Alpine Holdings, Siebens (UK), [illegible] lines, Ward White, [illegible] Shuttering and William Cook.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
ICI	£1	11	340	+6	[illegible]	[illegible]
Beecham	25p	9	544	+11	[illegible]	[illegible]
GEC	25p	9	362	+7	[illegible]	[illegible]
Ladbroke	10p	9	175	—	[illegible]	[illegible]
Cons. Gold Fields	25p	8	225	+10	[illegible]	[illegible]
Barclays Bank	£1	7	468	[illegible]	[illegible]	[illegible]
BP	£1	7	1,250	−5	[illegible]	[illegible]
NatWest Bank	£1	7	370	[illegible]	[illegible]	[illegible]
P & O Defd.	£1	7	103	[illegible]	[illegible]	[illegible]
Rank Org.	25p	7	218	−4	[illegible]	[illegible]
Allied Breweries	25p	6	90½	+3	[illegible]	[illegible]
BAT Inds.	25p	6	[illegible]	[illegible]	[illegible]	[illegible]
Glynwed	25p	6	[illegible]	[illegible]	[illegible]	[illegible]
Marks & Spencer	25p	6	115	+2	[illegible]	[illegible]
Shell Transport	25p	6	360	−4	[illegible]	[illegible]

APPOINTMENTS

Standard Chartered executives

Mr. C. McCulloch and Mr. M. D. McWilliam, formerly senior general managers, have been appointed to the Board of STANDARD CHARTERED BANK as deputy group managing directors. Mr. G. P. Roffe and Mr. R. M. Cassey have been respectively appointed administrator and deputy administrator with the ranks of senior general manager and general manager. The appointments result from a rationalisation of the Group administrative structure and the retirement of Mr. A. I. Robertson as deputy managing director.

Mr. C. McCulloch

Mr. M. D. McWilliam

★

Mr. S. W. Stephens has joined the Board of BADALEX as technical director. The company is a member of the Sale Tilney group.

★

J. R. PARKINGTON AND CO., the UK subsidiary of Pernod International, has made two appointments to its Board. Mr. Gordon Suffield is made sales director from general sales manager and Mr. Ray Perks joins the company in the new post of marketing director.

★

Mr. Stephen R. Hardis will join EATON CORPORATION on September 1 as executive vice president, finance and administration, succeeding Mr. J. Robert Kilipack, who has left to become vice chairman of National City Bank Cleveland Ohio. At Eaton's European headquarters in Hounslow, UK, Mr. David O. Otto will be European financial director from that date in place of Mr. Henry T. Holland, who will remain at Hounslow and be concerned in corporate planning and business development in Europe.

★

Sir Derman Christopherson has been appointed chairman of the ROYAL FINE ART COMMISSION in succession to Lord James of Rusholme, who will be retiring on December 31. Sir Ralph Freeman, Sir Philip Powell and Mr. Edmund Ward have been re-appointed members of the Commission.

★

Mr. G. A. J. Wade has been elected president of the BRITISH CERAMIC MANUFACTURERS' FEDERATION in place of Mr. Alan Lloyd, who becomes deputy-president. Vice president is Mr. A. Derek Jones.

★

Mr. Bob Tanner has been elected to the Board of W. H. Allen and Co., Brown Watson, Murrays Remainder Books, and Grant Educational Company, UK publishing and bookselling subsidiaries of HOWARD AND WYNDHAM. Until January this year, Mr. Tanner was managing director of New English Library and before that a director of John Menzies.

★

Mr. Jeffrey Cohen has been appointed deputy managing director of HERON SERVICE STATIONS and HERON EASYGAS from August 1. Mr. Gerald M. Ronson, chairman and chief executive of Heron Corporation, continues as chairman of those subsidiaries and Mr. Don Ranger as managing director. Mr. Cohen was previously retail aftermarket manager for Shell UK Oil.

★

Professor John Treasure has become chairman of the Domestic Electrical Appliances Sector Working Party of the NATIONAL ECONOMIC DEVELOPMENT OFFICE. Professor Treasure is the Dean and Professor of Marketing at the City University Business School. Prior to that appointment in 1978 he was chairman of J. Walter Thompson.

★

Lord Luke has been elected president of the INSTITUTE OF EXPORT. Mr. Frank O. Dunphy, has become chairman, Mr. H. M. Yates, vice-chairman, and Mr. D. J. Langham, treasurer. Mr. Keith M. Mitchell is chief executive and Professor Clive Schmitthoff has been made a vice-president.

★

Mr. J. W. Bird, previously general manager (international marketing) LONDON CHEMICAL COMPANY, has become deputy managing director. Mr. G. P. Purdy, who was UK sales manager, is now UK sales director.

★

Mr. Roger Chawla, director of marketing, THOMAS COOK BANKERS, has been appointed to the Board.

★

Mr. M. J. Allwood has been appointed to the main Board of BROWN JENKINSON AND COMPANY.

★

Mr. Frank Sanderson, (chairman, Ames Crosta Babcock), has been elected chairman and Mr. Julian Sheffield, (chairman, Portals Water Treatment), has been elected vice-chairman of the BRITISH WATER AND EFFLUENT TREATMENT PLANT ASSOCIATION.

★

Mr. David Poole, who was responsible for organising several of the Racal Group's overseas manufacturing operations, has been appointed production director of RACAL-MOBILCAL.

★

Mr. Pat Cassey, managing director of Wysegroup, has been appointed a director of BOVIS. His move to the Bovis main Board follows the elevation of Wysegroup to divisional status within the Group.

★

Mr. V. J. Willey, managing director of Eden Fisher (Southend) and chief executive of the periodical and book printing division of the Harrison Group, has been appointed to the Board of HARRISON AND SONS.

★

Mr. A. J. W. Campbell is to join the Board of McLEOD RUSSEL as managing director from September 1 and will remain a director of NOBLE GROSSART in a partly executive capacity.

★

Mr. G. A. Newman, Mr. B. E. George, Mr. A. J. Smith, Mr. I. Murray, Mr. K. C. Guntrip and Mr. D. R. F. Laws have been appointed assistant directors of C. E. HEATH AND COMPANY (MARINE).

★

Following their acquisition of a joint controlling interest in HANKOE STOVE ENAMELLING COMPANY, of Slough, Mr. Ian MacGregor has been appointed executive chairman and Mr. Sterling Moss deputy chairman.

★

Mr. Alan W. Hamer has been appointed to the Board of E Z INDUSTRIES and of its principal subsidiary, Electrolytic Zinc Company of Australasia.

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (34)

BRITISH FUNDS (1): Treas. 3pc 1979
BEERS (3): Amal. Dist. Products, Sandeman, Gordon (L.)
BUILDINGS (3): Crouch (D.), Parker Timber, Finlan (J.)
STORES (5): Cantors A, Hardy Furnishers A, [illegible] Stores, [illegible], Kitchen Queen
ELECTRICALS (3): Plessey, Pye Hldgs., Sound Diffusion
ENGINEERING (1): Birmingham Mint
FOODS (3): Matthews (B.), [illegible], Nurdin & Peacock
HOTELS (1): Warner Holidays A
INDUSTRIALS (8): Berec, Anderson [illegible], Gestetner, Goodkind (W.), Johnson Cleaners, Polymark, [illegible]
LEISURE (1): Norton & Wright
MOTORS (1): Flight Refuelling
PROPERTY (1): Dares Ests.
SHIPPING (2): Hunting Gibson, [illegible]
SHOES (1): Stylo Shoes
TRUSTS (1): Lon. Merchant
MINES (1): Hampton Areas

NEW LOWS (32)

AMERICANS (1): Kaiser Aluminium
CANADIANS (1): Hudson's Bay
BANKS (2): Allied Irish, Bank of Ireland
BEERS (1): Irish Distillers
BUILDINGS (1): Cement-Roadstone
ELECTRICALS (2): Laurence Scott, Motorola
ENGINEERING (4): Amal. Power, Cummins 7¾ '94, Bratherhood (P.), Ransomes Sims
INDUSTRIALS (5): Avon Rubber, Waterford, [illegible] Automatic, Wood Hall, Fitzwilton
INSURANCE (1): Combined Ins. [illegible]
MOTORS (2): General Motors, [illegible] Motor
PAPER (2): Inveresk, Smurfit (Jefferson)
TEXTILES (1): Stroud Riley
TRUSTS (8): Alliance Trust, London & Holyrood, [illegible] Cap., London & Provincial, Border & Southern, Scottish Western B, [illegible] European, [illegible] Deb. Corp.
OILS (1): Reynolds

RISES AND FALLS

	Up	Down	Same
British Funds	76	3	6
Corpns. Dom. and Foreign Bonds	15	—	50
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	9	12	16
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	30	11	62
Totals	809	210	1,417

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Arrow Chemicals	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	[illegible] Retail 5p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fairline Boats	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fulcrum Inv. Income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Do. Capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Malay'n Pl's Berhad	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mettoy Dfd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Philcom 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
160	F.P.	[illegible]	[illegible]	[illegible]	Standard Chartered [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
[illegible]	Nil	[illegible]	[illegible]	[illegible]	English & Overseas Inv. Conv.	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Kwik-Fit (Tyres) [illegible] Cnv. Ln. [illegible]	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Marsh & Univ. [illegible] Cnv. Cum. Red. Prf.	[illegible]	[illegible]
100	F.P.	[illegible]	[illegible]	[illegible]	Portsmouth Water [illegible] Red. Prf. 1984	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] Shields Water [illegible] 1986	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Wrexham Water [illegible] 1984	[illegible]	[illegible]
98	F.P.	[illegible]	[illegible]	[illegible]	West Kent Water 12½ Deb 1986	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Causton Sir (J.)	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Century Oils	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Combined English Stores	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Control Securities	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Elliott (B.)	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Glover [illegible]	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Goldberg (A.)	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Grand Metropolitan	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Hanson Trust	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Hargreaves	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Highland Dist.	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Holt Lloyd Intl.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Intl. Timber	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	MEPC	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	McCorquodale	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	P.M.A. Holdings	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Peterson Tonnant	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Scotcros	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Simon Engineering	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Sound Diffusion	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Stylo Shoes	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Tanks Consolidated	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. |||| Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 income shares and 10 capital shares at 125p per unit.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues., July 17, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. July 16 Index No.	Fri. July 13 Index No.	Thurs. July 12 Index No.	Wed. July 11 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Engineering Contractors (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (74)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11	CONSUMER GOODS (DURABLE) (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12	Lt. Electronics, Radio, TV (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13	Household Goods (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14	Motors and Distributors (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GOODS (NON-DURABLE) (171)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Breweries (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23	Wines and Spirits (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24	Entertainment, Catering (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33	Packaging and Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36	Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37	Toys and Games (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	OTHER GROUPS (99)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Pharmaceutical Products (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44	Office Equipment (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46	Miscellaneous (58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (494)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oils (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (110)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (750)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues., July 17	Day's change %	xd adj. today	xd adj. 1979 to date
1	Under 5 years	105.37	[illegible]	[illegible]	[illegible]
2	5-15 years	117.20	[illegible]	[illegible]	[illegible]
3	Over 15 years	123.77	[illegible]	[illegible]	[illegible]
4	Irredeemables	138.55	[illegible]	[illegible]	[illegible]
5	All stocks	114.85	[illegible]	[illegible]	[illegible]

FIXED INTEREST YIELDS

		Tues., July 17	Mon., July 16	Fri., July 13	Thurs., July 12	Wed., July 11	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 22p.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Friends' Provdt. Unit Tst. Mgrs.

Allen Harvey & Ross Unit Tst. Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(c)(g)

Hill Samuel Unit Tst. Mgrs. (a)

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General Tyndall Fund

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers (a)(g)

National and Commercial

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schlesinger Trust Mngrs. Ltd. (a)(c)(g)

J. Henry Schroder Wagg & Co. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Sebag Unit Tst. Managers Ltd. (a)

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Target Tst. Mngrs. (Scotland) (a)(b)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co.

TSB Unit Trusts (y)

Tyndall Managers Ltd.

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assur. Co. Ltd.

City of Westminster Assur. Soc. Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life Assurance

Crusader Insurance Co. Ltd.

Eagle Star Insur/Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Gartmore Bonds

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Merchant Investors Assurance

NEL Pensions Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

NPI Pensions Management Ltd.

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Solar Life Assurance Limited

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Arbuthnot Securities (C.I.) Limited

Australian Selection Fund NV

Bank of America International S.A.

Banque Bruxelles Lambert

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Tst. Mngmt. (C.I.) Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F. & C. Mgmt. Ltd. Inv. Advisers

Fidelity Mgmt. & Res. (Bda.) Ltd.

Fidelity Mgmt. Research (Jersey) Ltd.

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Free World Fund Ltd.

G.T. Management Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Baring Fund Mgrs. Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Invest. Mgmt. Intnl.

International Pacific Inv. Mgmt. Ltd.

J.E.T. Managers (Jersey) Ltd.

Jardine Fleming & Co. Ltd.

Kemp-Gee Managemt. Jersey Ltd.

Keyser Ullmann Ltd.

King & Shaxson Mgrs.

Kleinwort Benson Limited

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

M & G Group

Midland Bank Tst. Corp. (Jersey) Ltd.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

Negit Ltd.

Pacific Basin Fund

Phoenix International

Providence Capitol Life Ass. (C.I.)

Quest Fund Mngmt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mgt. (Bermuda)

Royal Trust (C.I.) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Schroder Life Group

J. Henry Schroder Wagg & Co. Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents.

Standard Chartered Intl. Bd. Fd.

Stronghold Management Limited

Surinvest (Jersey) Ltd. (x)

TSB Unit Trust Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Unifirm Assurance (Overseas) Ltd.

Union-Investment-Gesellschaft mbH

Utd. Intnl. Mngmnt. (C.I.) Ltd.

United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

World Wide Growth Management

Wren Commodity Trust

NOTES

Prices do not include $ premium, except where indicated, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Net of tax on realised capital gains unless indicated by ♦. ‡ Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1979 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
98¼	94⅝	Treasury 3pc '79‡‡	98¼	+[illegible]	3.05	13.43
98½	95⅜	Electric 4¼pc '74-79	98[illegible]	+[illegible]	4.33	13.51
100¼	54⅝	Treasury 10½pc '79‡‡	99⅛	+[illegible]	10.59	13.18
97½	94½	Electric 3½pc '76-79	97⅛	.....	3.60	12.48
99⅜	95⅞	Treasury 9pc 1980‡‡	97[illegible]	.....	9.22	13.01
99⅜	95[illegible]	Treasury 9½pc '80‡‡	97½	.....	9.74	12.65
97	92¼	Treasury 3½pc '77-80	95	.....	3.68	9.31
97⅛	92⅞	Funding 5¼pc '78-80‡‡	96	.....	5.47	9.90
103⅜	99[illegible]	Exchequer 13pc 1980‡‡	100½	+¼	12.94	12.47
102¼	96[illegible]	Treasury 11½pc 1981‡‡	99¼	+¼	11.59	12.02
93¼	88⅞	Treasury 3½pc 1979-81	93⅝xd	+¼	3.74	7.88
99[illegible]	92[illegible]	Treasury 9¾pc 1981‡‡	96⅝	+¼	10.09	11.93
96¼	89½	Exch. 8¼pc 1981	94¼	+¼	8.75	11.67
98[illegible]	91¼	Exch. 9½pc 1981	95⅞xd	+¼	9.91	11.83
91¼	84¼	Exch. 3pc 1981	90¼xd	+½	3.32	8.16
98[illegible]	96	Treas. Variable '81‡‡	97⅝	−[illegible]	14.18	15.03
104[illegible]	97[illegible]	Exch. 12¾pc 1981‡‡	101⅛	+⅜	12.61	12.12
96⅞	88	Treas. 8½pc '80-82‡‡	93[illegible]	+[illegible]	9.10	11.59
89½	82	Treasury 3pc '82‡‡	88¼xd	+½	3.40	8.14
106⅜	100⅜	Treasury 14pc '82‡‡	103⅝	+⅜	13.51	12.30
97½	94⅓	Treas. Variable '82‡‡	96¼	−[illegible]	14.38	15.46
[illegible]						

Five to Fifteen Years

[illegible]						

Over Fifteen Years

[illegible]						

Undated

[illegible]						

INTERNATIONAL BANK

85	80	5pc Stock '77-82	83¾	+¼	6.00	11.60

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Public Board and Ind.

[illegible]						

Financial

[illegible]						
108¾	98¾	Do. 14pc '83	103	.....	13.59	13.06
86½	77½	ICFC 5½pc Deb. '80-82	84½	.....	6.66	12.20
85	71½	Do. 6¼pcDb. '81-84	78½	.....	8.09	12.20
99	84½	Do. 10½pc Uns.Ln. '86	91½	.....	11.47	12.48
99	84½	Do. 11pc Uns.Ln. '88	92½	.....	11.89	12.30
101½	84	Do. 11¾pc Uns.Ln. '90	94½	.....	12.43	12.70
72½	57	Do. 7¼pcADeb. '89-92	66	.....	11.19	12.80
69	53½	Do. 7½pcA Db. '91-94	66	.....	11.42	12.70
81½	64½	Do. 9pc 'A' '91-94	77½	+½	12.11	12.90
78½	62½	Do. 8¾pcLn. '92-97	72xd	.....	12.15	12.80
101	95½	Do. 12¼pc Uns. Ln. 1992	100	.....	12.93	13.10

FOREIGN BONDS & RAILS

[illegible]						

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]							

S.E. List Premium 11¼% based on US$2.2665 per £
Conversion factor 0.8977 (0.9127)

CANADIANS

[illegible]							

S.E. List Premium 11¼% (based on $2.6224 per £)

BANKS AND HIRE PURCHASE

High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's	P/E
[illegible]								
£121	£70	Deutsche Bank DM50	£71½	+½	Q18%	—	3.3	—
90	63	F. C. Finance	65	.....	2.2	4.9	4.8	6.0
8¾	5¼	First Nat. 10p	6¼	.....	—	—	—	0.5
4	2	Do. Wrrts. 75-83	2½	.....	—	—	—	—
16¼	13¼	Fraser Ans. 10p	13½	.....	—	—	—	—
266	178	Gerrard Natnl	256	−2	9.12	—	5.1	—
62	39	Gibbs (A.)	46	.....	2.2	—	6.8	—
270	217	Gillett Bros. £1	257	−3	16.95	—	9.4	—
29	19	Goode D'l Mry.5p	21	−1	0.25	—	1.7	—
153	115	Grindlays	115	.....	3.07	7.5	3.8	3.6
120	94	Guinness Peat	94	.....	H5.67	—	8.6	—
330	173	Hambros	310	.....	10.92	—	5.0	[illegible]

BANKS & HP—Continued

[illegible]								

Hire Purchase, etc.

[illegible]								

BEERS, WINES AND SPIRITS

[illegible]								

BUILDING INDUSTRY, TIMBER AND ROADS

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CHEMICALS, PLASTICS

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ELECTRICAL AND RADIO

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ENGINEERING MACHINE TOOLS

[illegible]								

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FOOD, GROCERIES, ETC.

[illegible]								

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[illegible]								

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[illegible]								

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FAR WEST RAND

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[illegible]								

MINES—Continued

AUSTRALIAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
14	9	Acmex	12	......	—	—	—
14	4	ACM 20c	14	......	—	—	—
171	102	Bougainville 50 Toea	109	+1	Q15c	1.0	7.0
140	84	BH South 50c	92	+3	—	—	—
860	340	Central Pacific	770	+30	—	—	—
318	182	Conzinc Riotinto 50c	184	......	NQ10c	2.0	2.8
36	16	Cukus Pacific N.L.	20	+2	—	—	—
21½	11	Endeavour 20c	14	+½	—	—	—
98	62	G.M. Kalgoorlie $1	87	+4	ZQ3c	—	1.8
42	23	Haoma Gold N.L.	28	......	—	—	—
203	148	Hampton Areas 5p	203	+13	3.5	ϕ	2.5
71½	25	Metals Ex. 50c	40	+2	—	—	—
275	168	M.I.M. Hldgs. 50c	178	+4	†Q9c	1.7	2.6
15	15	Minefields Expl.	15	......	—	—	—
74	37	Mount Lyell 25c	37	......	—	—	—
44	15	Newmetal 20c	15	......	—	—	—
141	91	North B. Hill 50c	97	+2	†Q8c	1.3	4.2
22	11	Nth. Kalgurli	14½	......	—	—	—
40	22	Nth. West Mining	25	−1	—	—	—
137	84	Oakbridge $A1	87	−2	Q12c	1.9	7.3
37	22	Otter N. L.	32	......	—	—	—
120	58	Pacific Copper	62	......	—	—	—
£10¼	625	Pancont'l 25c	800	+25	—	—	—
25¾	15½	Paringa M&Ex. 5p	20	......	—	—	—
510	268	Peko-Wallsend 50c	310	+10	Q15c	3.3	2.5
340	145	Southern Pacific	300	+5	—	—	—
16	12	West Coast 25c	13	......	—	—	—
188	121	Westn. Mining 50c	140	+7	†Q3c	0.7	1.1
11	9	Westmex	10	......	—	—	—
65	50	Whim Creek 20c	50	......	—	—	—
25	13	York Resources	13	......	—	—	—

TINS

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	25	......	2.81	1.3	16.1
435	265	Ayer Hitam $M1	300	......	Q300c	0.5	21.5
72	51	Beralt Tin	51	......	4.0	3.3	11.2
270	175	Berjuntai $M1	180	−10	†Q110c	1.0	15.0
160	125	Geevor	125	......	8.71	3.1	10.0
10½	8	Gold & Base 12½p	9½	......	—	—	—
365	295	Gopeng Cons.	325	......	†18.0	1.4	7.9
370	295	Hongkong	320	......	†12.5	2.8	5.6
98	64	Idris 10p	87	......	8.0	5.3	13.1
14	9½	Jantar 12½p	11	......	ϕ—	—	—
95	58	Kamunting $M0.50	73	......	†Q12.5c	2.1	3.7
620	210	Killinghall $M1	350	......	—	—	—
465	365	Malay Dredging $M1	380	−5	†175c	0.7	1.7
57	28	ΔPahang	30	+1	—	—	—
123	60	Pengkalen 10p	105	......	4.5	1.2	6.4
275	195	Petaling $M1	210	+5	†Q120c	1.3	12.3
85	62	Saint Piran	63	+1	†2.03	6.5	4.6
58	45	South Crofty 10p	45	......	†4.19	2.0	13.3
230	170	South Kinta $M0.50	185	......	†‡Q145c	0.6	16.8
405	285	Sthn Malayan $M1	345	......	†Q190c	1.0	11.8
310	210	Sungei Besi $M1	265	......	Q520c	ϕ	55.7
75	45	Supreme Corp. $M1	45	......	ZQ10c	—	4.8
105	94	Tanjong 15p	95	......	7.5	0.7	11.3
115	90	Tongkah H. Tin	90	......	†Q24c	0.7	6.0
280	190	Tronoh $M1	200	......	Q25c	5.2	2.8

COPPER

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
111	56	Messina R0.50	70	+2	—	—	—

MISCELLANEOUS

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
81	54	Barymin	62	−2	—	—	—
13½	10	Burma Mines 17½p	11½	......	—	—	—
345	170	Cons. Murch. 10c	280	+5	ZQ30c	—	5.5
410	325	Northgate C$1	335	+5	—	—	—
362	226	R.T.Z.	268	+1	11.5	2.7	6.1
31	18	Robert Mines	28	......	—	—	—
65	34	Sabina Inds. C$1	35	......	—	—	—
880	575	Tara Exptn. $1	575	......	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
$17½	$10½	Buffels R1	$15½	+1	Q200c	ϕ	15.6
$15½	890c	East Drie R1	$13¾	+⅛	†Q115c	1.6	10.5
£10½	350c	East Rand Prp. R1	£10½	+¼	†Q10c	—	1.2
$27½	$18¼	F.S. Geduld 50c	$27	+1	†Q315c	2.4	14.1
$19⅝	$11⅛	Pres. Brand 50c	$19	+¼	†Q150c	3.2	9.5
$18⅛	$10¼	St. Helena R1	$17¼	+⅜	†Q190c	1.4	15.3
760c	407c	Stilfontein 50c	740c	+60	†Q66c	ϕ	10.8
$34½	$18¼	Vaal Reefs 50c	$34¼	+1½	Q280c	2.7	9.9
[illegible]	[illegible]	West Drie R1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	West Hldgs. 50c	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Western Deep R2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES

[illegible]

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[illegible]

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Fife Forge	54	......	Carroll (P.J.)	98	......
Finlay Pkg. 5p	20	......	Clondalkin	82	......
Graig Ship. £1	310xd	......	Concrete Prods.	87	−1
Higsons Brew	78	......	Heiton (Hldgs.)	75	+2
Holt (Jos) 25p	260	......	Ins. Corp.	210	......
I.O.M. Stm. £1	168	......	Irish Ropes	80	......
Pearce (C. H.)	250	......	Jacob	38	......
Peel Mills	30	......	T.M.G.	190	......
Sheff. Refrshmt	95	......	Unidare	83	......

OPTIONS
3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	55
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lofs"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday July 18 1979

Backing for Carter package

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

U.S. CONGRESSIONAL leaders yesterday promised President Carter that substantial parts of his new energy programme would be approved by the legislature before the August recess.

At a breakfast meeting at the White House with the Congressional hierarchy, the President—espousing the new found aggressive style of leadership that he hopes will restore his popularity—demanded that Congress act now on his package.

He also indicated that he would shake up both the White House staff and his Cabinet in the weeks ahead. In a television interview Dr. James Schlesinger said he would not be Energy Secretary by the time of next year's Presidential primaries, but Mr. Carter gave no further public clues on what governmental changes he had in mind.

Congress's ability to move quickly on the energy package is enhanced because most of what Mr. Carter proposed is already in front of the Senate and House in one form or another.

Senator Henry Jackson, chairman of the energy committee, last month introduced an omnibus energy Bill which includes the creation of an Energy Mobilisation Board designed to cut through red tape to speed the construction of needed power facilities. Congressman Morris Udall has a roughly similar Bill in front of the House.

The lower chamber has already passed a synthetic fuels development Bill of similar scope to that advanced by the President and Senator Jackson hopes that a parallel measure can be in front of the Senate in a week or two.

Mr. "Tip" O'Neill, Speaker of the House, also said again yesterday that Congressional sentiment had changed to the point that Mr. Carter would get his standby authority to impose petrol rationing in an emergency.

The flurry of favourable Congressional response to Mr. Carter's initiatives does not, however, mean that all he has proposed has been universally welcomed. The oil industry has strongly objected to his proposal that the windfall profits tax be made permanent — it is designed to finance all the $142.2bn (£62.5bn) energy package — while environmentalists, in particular, are concerned about the supra-legal powers to be vested in the Energy Mobilisation Board.

Reservations have also been expressed about Mr. Carter's wholehearted adoption of the synthetic fuels option.

Equally, there has been widespread criticism from conservative and business circles, given extraordinary vent in a host of editorial articles in yesterday's Wall Street Journal, that the net effect of the package is to increase substantially rather than diminish the power of the Government.

The preference would have been for a simple decontrol of Federal energy price controls and a major tearing down of the regulatory thicket with which industry claims it is burdened.

But, as the Congressional reaction demonstrates, the President's new style of leadership and his identification of the national issues confronting the country, if not necessarily his remedies, are, at least for the moment the most impressive aspects of this week's developments.

More U.S. news Page 3

Prior defends jobless benefit restriction

BY OUR LABOUR EDITOR

THE GOVERNMENT repeated yesterday that it wants social security officials to make wider use of their powers against abuse of the system.

In Commons question time, Mr. James Prior, Employment Secretary, defended the Government's moves to tighten up the scrutiny of claims for unemployment benefit.

He said that there was "great indignation among people who worked hard about people who did not work at all." The Government was trying to see that more unemployed people were called in for reviews of their benefit when they had been offered jobs but declined them.

Prosecutions

The Department of Employment said last night that no new instructions had been issued to benefit offices. Last month the Commons was told that the Departments of Employment and Health and Social Security were working together to control abuse.

In the past year, the number of people called in for reviews and the number of prosecutions instigated by the social security department have increased.

The new Government has declared a war on waste, and the drive against social security fraud is seen as part of that commitment.

In their election manifesto the Conservatives said that the rules about the unemployed accepting available jobs would be reinforced and that they would act more vigorously against fraud and abuse.

Financing

Mr. Patrick Mayhew, Employment Under-Secretary, told MPs that the Government would in discussions with trade union leaders raise the question of the financing of strikers' families. He emphasised, however, that the issue would not be brought up immediately.

He said that the Government was not suggesting that strikers' families should receive less support, only that unions engaged in strikes should "bear a fair share of the contributions."

It is generally believed that that much criticised proposal will not be revived until after the rest of the Government's trade union reforms have been decided in detail.

Close vote for Europe president

By Guy de Jonquieres and Elinor Goodman in Strasbourg

MME. SIMONE VEIL, France's popular former Health Minister, obtained 183 of the 380 valid votes cast by Euro-MPs yesterday in the first ballot for the Presidency of the European Parliament. This left her eight short of the absolute majority needed.

Her nearest rival in a field of five candidates, Italian Socialist Mario Zagari won 118 votes.

Mme. Veil, leader of the Giscardian group in the Parliament and a close confidante of the French President, had been promised support by the Christian Democrat, Liberal and European Democrat (Conservative) groups, which together command a clear majority of the Parliament's 410 seats.

But last-minute defections by about a dozen members of these groups and abstentions by several others, notably Irish Christian Democrats opposed to Mme. Veil's pro-abortion stand, apparently robbed her of outright victory on the first vote.

Her chances of a second round victory improved after the Gaullist-dominated European Democrats for Progress and a group of independents decided to withdraw their candidates, who had been entered at the last moment.

The Gaullist contender, M. Christian de la Malène, former Agriculture Minister, won only 26 votes. But it was expected that most of his supporters would swing behind Mme. Veil in the second ballot, assuring her of victory.

The main purpose of the Gaullists' tactics appears to have been to demonstrate that they were a political force to be reckoned with.

There were pressures among the British Conservatives to put forward their own candidate if no clear winner emerged after the second round.

Ladbroke change may be sought

BY JAMES BARTHOLOMEW

SEVERAL investment institutions said yesterday that changes of some sort in the Ladbroke Group might be desirable following the refusal by the South Westminster magistrates to renew four of its casino licences on Monday.

The Scottish Amicable, one of the biggest shareholders in Ladbroke, said that it would want to get in touch with the company over the next few days. It was too early to say what, if anything, should be done.

Management changes or a takeover were among the many possibilities said Mr. Graeme Knox, on behalf of Scottish Amicable. He said the Scottish Amicable might be advised by its counsel that the appeal against the decision of the lay magistrates would be won. In that case no action might be necessary.

Other major shareholders in Ladbroke, at least until recently, have been the pension funds of ICI, the Electricity Council, the National Coal Board, British Airways, Barclays Bank, and Lloyds Bank. Sun Alliance and clients of N. M. Rothschild and Schroder Wagg, the merchant banks, have also been important holders.

Ladbroke's shares fell a few pence yesterday morning but rallied later to end unchanged at 175p. Brokers said this may have been due to hopes that the licences will be renewed on appeal. In any case, the casinos are allowed to remain open until the result of the appeal is known.

The shares had already fallen considerably in the course of the court hearing and before. They reached a high of 243p earlier this year, 39 per cent above their current level.

Another factor supporting the shares could have been bear closing—purchases by investors who had sold the shares in anticipation that the magistrates would rule against Ladbroke. At least one firm of stockbrokers is known to have sold a large block of shares in advance.

The possibility of a takeover was treated cautiously by analysts of the company.

Those major companies already in the business would run the risk of being blocked by the Monopolies and Mergers Commission, they argued. While companies outside the casino business would be taking a big risk by entering it in such a way.

The Penthouse Club, which lost its casino licence in 1971 when under different management, yesterday challenged in the High Court the refusal of the Gaming Board to give the club a certificate of consent.

A certificate of consent is required before an applicant can ask a magistrates court for a licence.

News Analysis, Page 8

Oil groups advance pay round

BY NICK GARNETT, LABOUR STAFF

THREE OIL companies have made new payments to their workers four months before their annual settlement dates in moves which may upset pay bargaining in the oil industry.

Mobil, which was not due to settle until near the end of the year has offered its 2,300 manual and white collar staff, including tanker drivers, 8 per cent on basic pay and allowances from the beginning of this month with a further 6 per cent in November.

The offer, which is the first significant attempt by a heavy industry company to settle for the next wage round, is linked to a change in the settlement date to May next year. The company has already implemented proposals for workers not represented by unions.

At the same time, Petrofina, which has a similar settlement date, is paying its 1,300 workers an extra 5½ per cent from this month, largely as a special cost of living rise related to changes in the Retail Prices Index.

The company, which appears to have taken the initiative in making the payment, said yesterday that the 5½ per cent would be taken into account in pay settlements later this year.

In a separate development, British Petroleum has made a productivity deal with its distribution manual workers, also including tanker drivers, which yields maximum weekly payments of £7.60 a week.

The companies were already anxious about this group, which caused considerable difficulty during the last two wage rounds.

This year's pay negotiations were expected to be difficult because last year's relatively modest 12-13 per cent settlement involved only a 4 per cent rise on non-overtime related basic wages.

The companies have also reduced overtime working and therefore earnings because of general oil supply problems.

At the same time, the traditional differential between tanker driver earnings—averaging £130 a week—and those of general haulage drivers have been eroded, particularly by the last 22 per cent road haulage settlement.

The other oil companies are now starting with basic pay for their tanker drivers about £2 below those of BP. They will also be pressed for efficiency deals yielding extra payments in line with those now being paid at BP.

BP tanker drivers deal, Page 9

THE LEX COLUMN

Unigate sells its dairies

Index rose 7.3 to 478.0

The foreign exchange markets do not seem to be very impressed by President Carter's long awaited energy measures. The U.S. dollar came under further pressure yesterday and the gold price rose to within a couple of dollars or so of the $300 per oz level.

Sterling is proving to be the main beneficiary of the latest bout of currency unrest. It rose by nearly 3 cents against the U.S. dollar and on a trade weighted basis was up by 1 per cent to 72.1—its highest level since February, 1976. Since last month's Budget the pound has risen by nearly 10 per cent against the dollar and the steady stream of dismal U.K. economic statistics is seemingly being ignored on the foreign exchange markets.

The strength of sterling was reflected in the gilt-edged market yesterday where prices of long dated stock rose by over £1 and even equities managed a rally. Meanwhile, the banking sector is anxiously waiting to see just how accommodating the Bank of England is at today's banking make-up day.

Unigate

Wherever Unigate is earning its currently sharply higher profits—which rose 38 per cent to £43.4m pre-tax in the year to March — the group clearly believes that its dairy product manufacturing operations are no longer crucial to its success. So the group has responded to earlier approaches from the Milk Marketing Board, a farmers' co-op, and has agreed to sell some three-quarters of its butter, cheese and milk powder making capacity for £55m, together with over £30m for associated stocks.

No indications are given of the profitability of the assets being sold, on the grounds that this has been a vertically integrated business. Whether the group will now be better off depends partly on the returns Unigate can obtain on reinvesting the cash—of which £65m is due next month, another £22m over the next two years—and partly on the buying prices which the group can negotiate for dairy products when it goes out into the open market.

Unigate's restructuring can be seen in the context of a general drift by British companies out of manufacturing and into distribution, where foreign competition is absent. It is now up to the Milk Marketing Board to cope with the power of the big Continental producers. Significantly, Unigate is not committed to buy products from the MMB.

Another reason for the deal is that economies of scale have been minimal in a market in which big producers like Unigate have not been able to secure quantity discounts on their manufacturing milk input, and have sometimes been outmanoeuvred by small operators.

Meantime the annual results show an encouraging picture, with the milk business further improving on last year's bumper second half, despite an unexciting trend in liquid milk consumption, and meat profits jumping sharply. The March balance sheet will apparently show little in the way of net short term debt, so the August cash inflow—worth some 32p a share— will be fully available. The shares responded to the news of the deal, and of a rise of a third in the dividend, by putting on 11p to 93p where the yield is 7.5 per cent and the fully taxed p/e is around 9.

U.S. Oil shares

Despite being the object of popular odium, the U.S. oil majors are trading near their 12-month highs on Wall Street. Even at these levels, though, their ratings are hardly glamorous: prospective p/e ratios of 6 or 7 and yields of 7 or 8 per cent do not suggest that the oil companies are participating in the bonanza of the century.

Domestic companies with proven reserves—Sohio and Atlantic Richfield, for example —have been more highly valued, but the international majors are not looking expensive compared with BP. Their earnings are less volatile too, thanks to LIFO inventory valuation and lower exposure to European refining, and their 1980 profits are unlikely to show the sort of decline over 1979 that is possible at BP.

President Carter's most recent measures do little to change the competitive position of the oil companies in the short term, although they are likely to increase speculative interest in prospecting companies. The most important presidential initiative remains the commitment to deregulate U.S. crude oil prices by September 1981, balanced by the tax on windfall profits which is supposed to finance the more recent import-saving programme. The tax is at present being batted up and down by the legislature—50 per cent, 70, 60, and quite possibly back down to 50 in the Senate, with lots of exemptions creeping in for small companies. In present circumstances even the most mature oil companies are favourably placed; downstream margins are looking very handsome as long as the oil shortage persists.

At present Wall Street seems to be reflecting the unpopularity, and therefore political vulnerability, of the oil majors, but it also seems to be discounting the shrinking of margins that a recession could be expected to bring. Recession will make the Carter import targets easier to achieve, even if the 10-year target looks to be a pious hope, but it will also make the oil product markets a good deal soggier.

Magnet & Southerns

Magnet and Southerns' pre-tax profits in 1978-79 are 39 per cent higher at £19.7m and the benefits of the 1975 merger between Magnet Joinery and Southern Evans are now flowing through strongly. The combined group has built up a position in the timber/home improvement business which must be envied by its larger but less profitable rivals such as Montague Meyer and International Timber.

With well over 200 depots spread throughout the country and a strong manufacturing base, over half the group's sales now go to the DIY and home improvement markets. M and S reckons that volume was up by some 15 per cent on this side of the business last year and says that the outlook in the current year is 'excellent.'

The key to M and S's success has been its ability to get closer to the ultimate consumer than most of the big timber companies which were slow to spot the swing towards home improvement. In an industry which is due for further rationalisation M and S could play an important role. At 188p the shares yield 6.5 per cent.

Weather

UK TODAY

CLOUDY WITH bright intervals and showers.

London, S.E. England, E. Midlands, E. Anglia
Bright periods, becoming cloudy with some drizzle. Max. 22C (72F).

Cent. S. and S.W. England, Channel Is.
Cloudy with some rain.

E. and Cent. N. England, W. Midlands, Wales
Some rain with bright periods later. Max. 20C (68F).

N.W. and N.E. England, Scotland, Ulster
Bright periods with showers.

Outlook: Mostly dry

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	25	77	Locarno	F	26	79
Algiers	S	30	86	London	F	25	77
Amsdm	C	19	66	Luxmbg.	S	21	70
Athens	S	27	81	Luxor	S	42	108
Bahrain	S	36	97	Madrid	S	33	91
Barclna.	S	27	81	Majorca	F	30	86
Beirut	S	29	84	Malaga	S	29	84
Belfast	C	19	66	Malta	S	27	81
Belgrd.	R	15	59	Mchstr	C	21	70
Berlin	C	16	61	Melbne	R	10	50
Biarritz	S	24	75	Mex. C.	S	22	72
Bmghm.	F	23	73	Milan	S	26	79
Blackp'l	C	21	70	M'ntreal	C	22	72
Bordx.	S	26	79	Moscow	C	23	73
Boulgn.	S	18	64	Munich	C	15	59
Bristol	F	21	70	Nairobi	S	20	68
Brussels	F	22	72	Naples	F	27	81
Budpst	F	20	68	Nwcstl	C	21	70
B. Aires	S	13	56	N. York	S	27	81
Cairo	S	36	96	Nice	F	25	77
Cardiff	C	17	63	Nicosia	S	28	82
Cas'b'ca	S	23	73	Oporto	C	20	68
Cape T.	C	15	59	Oslo	F	21	70
Chicago	S	20	68	Paris	S	24	75
Cologne	C	17	63	Perth	S	20	68
Cpnhgn.	C	20	68	Prague	C	15	59
Corfu	S	28	82	Reykjvk.	C	9	48
Dublin	F	22	72	Rhodes	S	28	82
Dbrvnk.	F	25	77	Rio J'o	S	26	78
Ednbgh.	C	19	66	Rome	F	27	81
Faro	S	20	68	Salzb'rg	C	15	59
Florence	C	27	81	Singapr.	S	31	87
Frankf't	R	17	63	Stckhm	C	18	64
Funchal	C	23	73	Strasb'g	C	19	66
Geneva	S	25	77	Sydney	C	18	64
Gibrltr	S	25	77	Tangier	S	25	77
Glasgow	C	17	63	Tehran	S	32	90
G'rnsey	F	18	64	Tel Aviv	S	28	82
Helsinki	C	17	63	Tenerife	C	19	66
H. Kong	S	31	87	Tokyo	C	23	73
Innsbr'k	F	19	66	Toronto	C	18	65
Invrnss.	C	18	64	Tunis	S	32	90
I. o Man	C	16	61	Valencia	S	28	82
Jersey	C	16	61	Venice	F	25	77
Jo'burg	S	16	61	Vienna	F	19	66
L. Plms.	S	23	73	Warsaw	F	17	63
Lisbon	C	22	72	Zurich	C	18	64

C—Cloudy F—Fair. R—Rain. S—Sunny.

Continued from Page 1

Lucas

That company, SEV, has been put together by Ferodo under Government guidance, grouping three smaller organisations. Bosch of West Germany has a minority stake in SEV.

Hazel Duffy writes: Lucas put the best face on the compromise solution yesterday, saying the agreement "ensures the independence of Ducellier as one of the two largest suppliers of automotive electrical equipment in France."

The company added: "It also enables Lucas and Ferodo-SEV to pass to Ducellier their technical and technological assistance and to exchange the same licence information with each other."

In spite of that agreement, Lucas said that it still intends to go ahead with litigation on the Ducellier case.

Continued from Page 1

Joseph cuts aid

believed that the Government might well be forced by circumstances to expand various forms of industrial suport, especially when unemployment rises.

They noted that despite the Government's dislike of selective industrial aid, Sir Keith also announced yesterday that he will continue to authorise grants to encourage major investment projects.

This amounts to a continuation on an informal basis of the last Government's £150m Selective Investment Scheme, half of whose funds are used to bid against other countries for what are known as "internationally mobile" investment projects.

The overall impact of the regional changes is to reduce the s ize of the assisted areas so that, after a transitional three-year period, they cover only 25 per cent of the working population instead of the present 40 per cent.

Activities of regional development agencies are to be continued, although the entrepreneurial roles of the Scottish and Welsh Development Agencies may be trimmed in line with the new rules for the NEB.

The Government's factory-building activities, carried out by the English Industrial Estates Corporation, were backed by Sir Keith as being "useful and relatively inexpensive," but the Government wants to make the corporation more self-financing and also wants to involve more private sector finance.

Mr. Stanley Elsbury

A REPORT in yesterday's issue described Mr. Stanley Elsbury, the chairman and managing director of Brentnall Beard, the Lloyd's brokers, as one of three directors suspended from all executive duties.

We have since been informed that although, as arranged in May, Mr. Elsbury is retiring as managing director at the end of the month, he has not been suspended from all executive duties in group but is still chairman and managing director.

We wish to make it clear that the word discipline in our report was intended to mean that Lloyd's had invoked its statutory disciplinary procedures in respect of certain charges which have yet to be heard.

We apologise to Mrs. Elsbury for the errors.

Sandinistas prepare to govern Nicaragua

BY HUGH O'SHAUGHNESSY

THE SANDINISTA guerrilla forces and their civilian supporters were last night poised to form a government in the Central American republic of Nicaragua after General Anastasio Somoza, whose family had controlled the country since 1933 fled to the U.S.

The provisional government council and its moderate cabinet backed by the Sandinists is likely to take over power shortly. It is expected that the U.S. will formally recognise the new government, though the course of its relations with the new regime are at this point somewhat uncertain.

General Somoza flew from the battered capital of Managua with about 45 people in five aircraft which landed at the Homestead U.S. Air Force base, near Miami, yesterday morning.

Before leaving, he had presented his resignation to the Congress which elected Sr. Francisco Urcuyo, the chairman of the lower house, to replace him.

President Urcuyo was expected to hand over authority almost immediately to the five-member provisional government council which is backed by the Sandinistas. Three members of the council who have been operating from San Jose, capital of neighbouring Costa Rica, were yesterday planning to fly to Managua in company with the foreign ministers of the five Andean Pact countries, Venezuela, Colombia, Ecuador, Peru and Bolivia, and possibly those of Costa Rica, Mexico and Panama.

The presence of so many Latin American foreign ministers was seen as a strong gesture of support for the Sandinista-backed government from the more democratically inclined countries of Latin America.

Sr. Sergio Ramirez, one of the members of the five-man council, said in San Jose that it would seek the extradition of General Somoza from the U.S. to answer charges of "crimes against the Nicaraguan people."

The U.S. administration, which has given General Somoza a four-year visa, is unlikely to agree to this move.

Provided there is no last-minute opposition from any remaining National Guard elements still prepared to fight, the cabinet nominated by the five-man council at the weekend will shortly get down to work. Moderates form the majority in the new cabinet which includes two Catholic priests, a member of the staff of the Inter-American Development Bank, a private banker and a former secretary-general of the Central American Common Market.

In London the Foreign and Commonwealth Office had no comment on the departure of General Somoza but an RAF Hercules transport aircraft is continuing to help ferry food to Managua from Panama.

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V G H